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**Supporting
Egypt's
Processed
Foods
Export
Industry**

**An Industry
Rapid
Analysis (IRA)
of Market
Opportunities
in The Gulf**

**Poultry
Sector**

**Prepared By
Agriculture-Led
Export Businesses
(ALEB)**

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**An Industry Rapid Analysis (IRA) of Market Opportunities
in the Gulf**

Poultry Sector

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While the report cover pages credit Mr. Douglas Anderson by mentioning that this report was completed under his direction, this statement does not adequately describe the extent of his contribution to the final effort before you.

During the compilation of this report, Mr. Anderson provided invaluable insights into the very intricate nature of statistical analyses in relationship to various Gulf state markets, as well as Gulf market nuances. Mr. Anderson's many years of experience in the Gulf assisted this author enormously in analyzing the nature of each individual country's marketing practices and trends.

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In addition to the 50-plus importers visited while in the Gulf, the author gratefully acknowledges the following Egyptian companies for providing the freight quotes cited throughout each of the five volumes on market opportunities in the Gulf. Their kind assistance contributed substantially to the transport information provided in each volume. These Cairo-based transport companies are:

- **East International Freight Forwarders**
Mr. Nashat Nassif
Telephone: (02) 403-1001
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E-Mail: www.east.egypt.com
- **Express El Arabia**
Mr. Said Gharib M.D.EA.
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- **Egyptian Company for [Shipping] Export and Import**
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A detailed list of all references used to compile these Gulf reports will be provided separately. All information contained in these reports can be accessed either via the Internet directly or through the ALEB Project library, ARAC.

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Finally, the author acknowledges Microsoft Corp. for use of its Map Point 2000 program to produce the graphics on the cover of each volume.

NOTES

- **Market Basket Surveys:** As you scroll through the tables entitled *Market Basket Survey Averages*, you will notice that products are listed more than once. A repeated "product" listing reflects one of two things; either:
 1. The product size is different; or
 2. If a Product and Country of Origin are listed more than once, a brand name, which is not listed to protect the identity of the producer, may be different.

- **Logistical information.** This report consisting of six volumes was formatted to be disassembled into specific commodity reports by country and distributed to commodity-specific processors. Therefore, taken as a whole, the reader will note that there is repetitive information under some of the headings in each country sector in this report.

I. BAHRAIN - COUNTRY PROFILE

The smallest country in the Gulf region, Bahrain has a population of approximately 643,000 as of 1998 (576,000 as of the last census held in 1995). Bahrain was also one of the first Gulf Cooperation Council (GCC) countries to use demographic statistics and conducted its first census in 1941. This statistical efficiency has translated to its trade data gathering practices as well. Of all of the Gulf countries visited during the April 2000 market reconnaissance trip, Bahrain provided the most current trade data. It was the only country that had developed a sophisticated computerized import tracking system to trace the source of a shipment, the quantity, and its value and provide accurate printouts available to the general public within 48 hours of arrival at any of Bahrain's ports of entry.

An island nation, Bahrain has a total land area of 709.5 square kilometers and is joined to the nearest landmass - Saudi Arabia - by the King Fahad Causeway. Efficient procedures, good regulation and a strong financial community give this small island nation a standard of commercial activity with which other Gulf countries are hard-pressed to compete. The presence of the United States Navy's (U.S.) Fifth Fleet, Bahrain's status as a founding member of the World Trade Organization (WTO), and its membership in the UN Security Council, all have given the country international recognition and should help attract the foreign investment the government of Bahrain is seeking.

As of 1998, Bahrain's population was expected to grow at the rate of about 3.8% annually and was classified according to the following gender and nationality categories listed below.

POPULATION

| NATIONALITY | Male | Female | Total |
|--------------|---------|---------|---------|
| Bahraini | 197,700 | 193,300 | 391,000 |
| Non Bahraini | 179,000 | 73,000 | 252,000 |
| TOTAL | 376,700 | 266,300 | 643,000 |

From the table below, it is clear that Bahrain has a young population that falls mostly between the ages of 5 and 14 or age 25 and 44.

| YEAR | 0-4 | 5-14 | 15-24 | 25-44 | 45-64 | 65-Over |
|------|-------|-------|-------|-------|-------|---------|
| 1998 | 11.5% | 19.4% | 16% | 41% | 9.5% | 2.2% |
| 1991 | 14.8% | 26% | 19.2% | 26.7% | 10% | 3.3% |
| 1981 | 15.1% | 26.2% | 24% | 20.8% | 11% | 3% |

Despite the move by the government in recent years toward "Bahrainization" - that is, replacing expatriate workers with more Bahraini nationals - expatriate workers continue to maintain a strong presence in Bahrain.

LABOR FORCE (15 & Over) As of 1998

| NATIONALITY | MALE | FEMALE | TOTAL |
|--------------|---------|--------|---------|
| Bahraini | 88,400 | 21,200 | 109,600 |
| Non Bahraini | 156,000 | 30,100 | 186,100 |
| TOTAL | 264,700 | 51,300 | 294,700 |

As of 1998, unemployment in Bahrain was semi-officially estimated at over 15 percent and amounted to over 30 percent in the villages. Government employees are about 90 percent Bahraini and this sector accounts for 11 percent of employment in the country. The private sector workforce was 40 percent Bahraini in 1998, while the country's total workforce in 1997 was 38 percent Bahraini. At the same time, the government is working to ensure that job seekers are equipped with better skills.

Bahrain's historical position as a regional trading center has been severely challenged in recent years, particularly by Dubai, forcing Bahrain to change. In response, Bahrain continues to modernize and streamline its business laws and procedures, to update its technology, to expand its industrial base as well as to construct key new facilities like the industrial area and port adjacent to the large Hidd power and desalination project.

For the past twenty years, Bahrain has served as the financial center for the Gulf region and much of the Arab world. Bahrain's financial institutions attract funds from the Gulf and beyond. Insurance is a developing sector in Bahrain, and the government has identified offshore insurance services as a key growth area.

Bahrain is also currently home to a large aluminum industry launched more than 20 years ago to take advantage of the country's relatively low energy costs and to diversify the economy. This sector has since expanded from basic smelting to a host of other operations, including: a rolling mill, an extrusion plant, a cable plant, factories producing aluminum powder and wire mesh screening, and two automobile wheel factories.

Bahrain is also home to a major vegetable oil and packing facility -- Savola. Most corn oil exported to Bahrain is processed and re-exported to other Gulf nations through the Savola facility.

DISTRIBUTION CHANNELS

There are numerous food importers in Bahrain, many of which also function as wholesalers, distributors, and in some cases, retailers. Five companies dominate the retail food industry in Bahrain, but it is often difficult to determine to what extent these companies are involved in the lower levels of food retailing.

During the recent economic changes, the retail food industry did not feel the full economic impact as did other retail business in Bahrain, since food items are usually not the first item to be reduced in most household budgets.

The following reflects the breakdown of the Retail Food Outlets in Bahrain.

- Hyper Markets - 1 (Planning Stage)
- Super Markets - 60 (A & B)
- Grocery Stores - 200
- Bakaalas - 1,500

Markup on food products by importers is approximately 10% to 15%, while retail food prices are generally 25% to 30% above import prices.

Due to the trend toward more "Western" foods, more and more franchised food restaurants have arrived in Bahrain (e.g. Hardee's, McDonald's, Chili's, etc.). Most of

these franchise food restaurants use large quantities of **frozen French Fries, poultry meats, and meats in general.**

A number of ship's chandlers in Bahrain supply many ocean-going vessels with provisions for crew meal services. Frozen Vegetables, Frozen Poultry, and other processed foods are in great demand by the shipping traffic through the Gulf.

Some of the importers interviewed were interested in bidding on contracts with the U.S. Navy's Fifth Fleet Operations in Bahrain. Frozen Vegetables and Frozen Poultry were among the items most required to fill these procurement requirements.

Supermarkets in Bahrain were not on the same scale as Dubai or Kuwait, but did offer a good selection of most standard food items. Frozen vegetables and frozen poultry were well stocked in most stores visited.

Smaller stores or *Bakalas* did not have as many refrigerated cases as did Saudi Arabian stores of the same size, but there were a few in evidence. One industry source indicated that there would be more of these smaller stores incorporating refrigerated cases in their stores in the future, due to the increasing demand for frozen vegetables and frozen whole chickens.

MARKETING A PRODUCT(S)

It is important to remember that importers in Bahrain share the same values held by importers in other GCC countries. The size of the country does not diminish the demand for:

- 1. Competitive Pricing;**
- 2. Innovative Products; and**
- 3. High quality packaging.**

Egyptian processed foods are suffering from a bad image brought on by a history of poor quality and lack of customer service. During interviews with importers in Bahrain, several comments were heard questioning the current quality of Egyptian processed foods.

When approaching potential importers in Bahrain, it is important to reassure them of a new commitment to quality and to customer service following the sale and shipment of products. **Follow-up after a shipment instills confidence in new importers.** Importers are more likely to re-order from a processor when they feel reassured that the supplier is concerned with the satisfaction of the customer.

Requesting feedback from an importer is good business, for it not only reassures the buyer that his concerns are important, but it also acts as an indicator to provide direction for product improvement.

The following is taken from GCC Standard No. GS 150/1993 also Bahrain M.S. Standard 150/1993, which applies to expiry dates on foodstuffs:

Without prejudice to what is stated in GS 9/1984 "Labeling of Prepackaged Foods" and to the Gulf Standards for each food product, the production and expiration dates shall be declared on the label of the package in an "Uncoded manner as follows:

- (Day/Month/Year) - for food products having an expiration period up to 6 months.
- (Month/Year) - for food products having an expiration period exceeding 6 months.

The use of any of the following statements for expressing the expiration date is permissible; it is mandatory to mention the production date.

- Expiration date:
- Use by:(date):
- Fit for:(from the date of production):
- Use before:(date):
- Sell by:(date):

In case of writing production and expiration dates in month and year only, the expiration period shall be calculated up to the end of the registered expiration month.

Without prejudice to what is stated in the Gulf Standards for each food product, no food products shall be released if more than half of their expiration period for human consumption – calculated from the date of production – has been spent before their arrival to the entry port in the importing country.

Dates shall be engraved or in relief, printed, or stamped by irremovable ink directly on all packages or on their original label by the producer only. Adding stickers for production and expiration dates is not permissible. There shall not be more than one date of production or of expiration on the same package. Both dates shall not be subject to deletion, change or deceit.

IMPORT REGULATIONS

In April 1995, Bahrain announced exceptions to the Gulf Standard 150/1993 (Part I) to extend shelf life expiry periods to prevent serious disruption to Bahrain's food imports. Expiry dates for foodstuffs are considered "more strict than necessary" by some importers.

Expiry dates must be engraved, embossed, printed or stamped directly onto the original label or primary packaging at the time of manufacture using indelible ink. U.S. Bar Coding is not allowable as a replacement for labeling.

Expiry dates must be printed in the following manner:

- Day/Month/Year for products with a shelf life under 6 months or less
- Month and Year for products with a shelf life longer than 6 months.

Both dates must be printed in digit form; text is not permitted.

Bahraini officials are willing to work with exporters to pre-approve labeling. Obtaining labeling approval prior to shipment, will speed up import clearances. It is advisable to make inquiry with potential importers to determine the latest regulations on expiry periods, prior to shipment.

Halal Certification is required for any product containing meat or meat by-products. All poultry products entering Bahrain may not have more than 20% of the tested samples containing salmonella.

Labeling requirements are similar to all other GCC countries when requiring the following requirements for foodstuffs shipments.

- Product Brand Names
- Ingredients – in descending order of proportion
- Additives (If Any)
- Net Content in Metric Units – Volume in case of liquids
- Date of Production & Expiry
- Manufacture's name and address
- Country of Origin
- Special storage, transportation & preparation instructions if any
- All information must be on the original label of primary package

Bilingual labels are permitted, provided one of the languages is Arabic. Sticker-labels are allowed, provided that they comply with the following regulations:

- Extremely difficult to remove
- Must contain all required information
- Does not contradict information on original label

Specialty food products such as **dietetic, infant foods, and health foods must be pre-registered** with the Ministry of Health, Directorate of Pharmacies and Drug Control prior to shipment to Bahrain. All specialty food labels must contain detailed information regarding ingredients (e.g., vitamins, supplements, minerals, etc.). Nutritive values per 100 grams and instruction for proper storage is also required on all labeling. (U.S. nutritional panels are acceptable).

CUSTOMS AND INSPECTION REQUIREMENTS

Bahrain imposes a 5% *ad valorem* import duty on most foodstuffs exported to Bahrain. As of the beginning of the year 2000, the Government of Bahrain decided to abolish import duties on a variety of essential food and agricultural products. Fresh fruit and vegetables constituted most of these products, however, milk-based baby food without cocoa, diabetic products (candies), and cardamoms were also included on this list.

The Food Hygiene Division will customarily inspect and require laboratory testing of first time shipments to Bahrain, as well as monitor shipments from exporters who have failed earlier testing procedures.

All shipments to Bahrain must comply with Copyright/Trademark Laws and the following documentation is required for shipments entering Bahrain:

- Commercial Invoice
- Packing lists
- Bill of Lading
- Health Certificate from country of origin
- Halal slaughter certificate for all meat and meat by-products
- Certified certificate of origin

TRANSPORTATION

Nearly all of the imported foodstuffs for Bahrain will be shipped to the port of Mina Sulman, located in the capital, Manama. Products not arriving via ocean container arrive from Saudi Arabia over the King Fahad Causeway that joins the two countries.

Bahrain International Airport also receives a considerable quantity of foodstuffs, mostly fresh fruits & vegetables, as well as chilled meats.

The table below represents quotes from 4 separate local freight agents in Cairo. The purpose of this exercise is to indicate the fluctuating spread of prices for freight to Bahrain from Egypt. These prices are probably negotiable once a regular shipping schedule has been established. These prices are not guaranteed, and will vary with seasons and availability. It is obvious from this small collection of freight rates that it pays to obtain several quotes prior to deciding on a particular carrier or freight agent.

FREIGHT ESTIMATES FROM CAIRO TO BAHRAIN - JULY 2000

| Egypt to... | Container Small - Dry | Container Large - Dry | Container Small- Refrig. | Container Large-Refrig | Truck Dry | Truck Refrig. |
|-------------|--------------------------|--------------------------|--------------------------------|---------------------------|------------------|---------------|
| BAHRAIN-1 | US\$500 | US\$800 | Not available | US\$2,900 | Not available | Not available |
| BAHRAIN-2 | US\$500 | US\$650 | US\$2,550 | US\$3,600 | US\$3,000 | US\$3,000 |
| BAHRAIN-3 | US\$650 | US\$900 | US\$2,000 | US\$2,900 | US\$3,000 | US\$3,200 |
| BAHRAIN-4 | US\$1,400 | US\$2,000 | US\$2,200 | US\$3,000 | US\$3,000 | US\$3,200 |

Freight rates for dry containers from Egypt to Bahrain can range from US\$500 (20 foot container) up to US\$2,000 (40 foot container). Shipping container delivery dates following departure from Egypt can range between 15 and 20, because of other port stops along the Gulf route. A truck (40 foot-dry) traveling from Egypt to Bahrain can deliver goods within 4 to 5 days, but may cost between US\$3,000 and US\$3,200.

DOCUMENTS WHILE IN TRANSIT

It is important to provide the required documentation for all shipments in order to avoid delays Bahrain's ports of entry. The following items must accompany the shipment while in transit:

- Commercial Invoice (Original)
- Health Certificate (issued by Egyptian Health Authorities)
- Certificate of Origin (Country of Origin)
- Bill of Lading
- Packing List

It would be prudent to forward copies of all documents to the importer to facilitate banking and clearing as well as a backup should documentation be lost during shipment.

FREIGHT HANDLING SUGGESTIONS

Due to the potential for claims caused by temperature damage to frozen or chilled products in transit, the Egyptian exporter should place **a temperature-recording device** in each shipment to indicate transit condition. These temperature monitoring devices can protect an exporter or shipper from false temperature related damage claims. To preserve the quality of the shipment, the exporter should also ensure a **completely chilled shipping container** or overland truck trailer **before loading any shipment from Egypt destined for the Gulf.**

COMMODITY SUMMARY

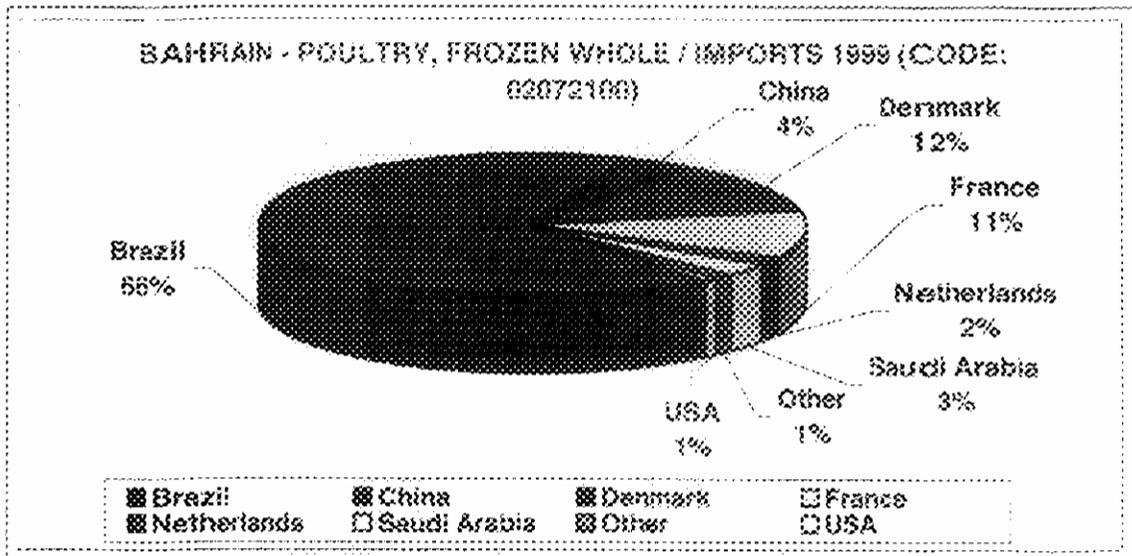
POULTRY – MEAT & WHOLE FROZEN CHICKENS - COMBINED

According to data from Bahrain Directorate of Statistics, imports of Whole Frozen Poultry reached US\$17,448,227 in 1999 – a decrease of US\$17,448 from 1998's imports.

Brazil acquired a 66% share of this import market, which totaled US\$11,576,890. The second largest exporter, Denmark, saw imports to Bahrain reach US\$2,023,823. Brazil also exported \$993,705 of Chicken Parts in 1999.

Egypt did not export Frozen Whole Birds into Bahrain, but did export US\$9,509.38 of Chicken Parts in 1999 capturing a 0.3% share of this market.

BAHRAIN – POULTRY (WHOLE & PARTS)



SOURCE: BAHRAIN DIRECTORATE OF STATISTICS

| BAHRAIN – POULTRY, WHOLE -FROZEN / IMPORTS 1999 (CODE: 02072100) | | | | |
|--|-------------------|------------------|------------------------|---------------|
| COUNTRY OF EXPORT | WEIGHT (Kg.) | VALUE (BD) | VALUE (USD) | \$/Kg |
| Egypt | 0 | 0 | \$0.00 | 0 |
| Brazil | 8,709,265 | 4,356,480 | \$11,576,890.08 | \$1.34 |
| China | 464,316 | 271,979 | \$729,166.22 | \$1.57 |
| Denmark | 1,515,592 | 754,886 | \$2,023,623.06 | \$1.34 |
| France | 1,578,077 | 687,456 | \$1,843,045.58 | \$1.17 |
| Netherlands | 401,476 | 133,565 | \$358,083.11 | \$0.89 |
| Saudi Arabia | 280,492 | 181,502 | \$486,600.54 | \$1.73 |
| Other | 179,462 | 77,203 | \$206,978.55 | \$1.15 |
| USA | 57,958 | 46,118 | \$123,640.75 | \$2.13 |
| TOTAL – 1999: | 13,186,657 | 6,508,189 | \$17,448,227.88 | \$1.32 |
| TOTAL – 1998: | 12,341,836 | 6,538,260 | \$17,528,847.18 | \$1.42 |

MARKET ANALYSIS

Based on Bahrain Directorate of Statistics data for the above listed importing countries, in 1999 Bahrain imported an estimated \$17,448,227 in Frozen Whole Chickens. This reflects a decrease of \$80,620 over 1998 imports. Prepared Poultry Meat (Parts) imports reached \$1,956,533 in 1999, a decrease of approximately \$751,534 from 1998 import totals.

Like the rest of the Gulf, Brazil was the top exporter of poultry products in Bahrain – both in whole frozen birds and chicken parts. Brazil exported an estimated \$11,576,890 of whole frozen birds and \$993,705 in chicken parts.

Denmark, the second largest exporter with \$2,023,623 worth of whole frozen chicken, was followed by France, which exported approximately \$1,843,045 in poultry products.

Surprisingly, South Africa (in addition to Brazil and the United States) is a key exporter in poultry parts, exporting an estimated \$282,418 in 1999. This is the first country during the Gulf Market Reconnaissance trip that poultry from South Africa had been noticed on store shelves. The table below highlights the largest importers of poultry parts – including South Africa.

| BAHRAIN – POULTRY, PREPARED MEAT (PARTS)/ IMPORTS 1999 (CODE: 16023910) | | | | |
|--|----------------|------------------|-----------------------|---------------|
| COUNTRY OF EXPORT | WEIGHT (Kg.) | VALUE (BD) | VALUE (USD) | \$/Kg. |
| EGYPT | 17,392 | 9,547 | \$9,509.36 | \$0.55 |
| Australia | 33,180 | 67,095 | \$179,879.36 | \$5.42 |
| Brazil | 309,574 | 370,652 | \$993,705.09 | \$3.21 |
| Denmark | 35,887 | 23,849 | \$63,936.34 | \$1.78 |
| Kuwait | 25,454 | 38,192 | \$102,391.42 | \$4.02 |
| South Africa | 88,023 | 105,342 | \$282,418.23 | \$3.21 |
| USA | 55,240 | 121,856 | \$326,691.69 | \$5.91 |
| TOTAL – 1999: | 564,750 | 730,533 | \$1,958,533.51 | \$3.47 |
| TOTAL – 1998: | 776,921 | 1,010,856 | \$2,710,067.03 | \$3.49 |

SOURCE: BAHRAIN DIRECTORATE OF STATISTICS

FAO data indicated that Bahrain had imported an estimated \$27,482,000 in poultry meats in 1997, which was \$9,484,000 less than 1998 import levels reported at \$18,000,000.

In 1999, according to the above table, Egypt managed to capture a 0.3% share of the Bahrain "Poultry, Prepared Meat (Parts)" market. Egyptian CAPMAS data indicate that Egypt imported \$55,000 of Poultry Meat in 1998, down \$98,000 from 1997 imports of \$153,000 (as reported by Bahrain's Directorate of Statistics) in 1997. The total for poultry meat products exported from Egypt to various destinations in 1998 reached an estimated \$1,257,000, reflecting a decrease of \$752,000 over 1997 exports.

BAHRAIN SUPERMARKET SURVEY AVERAGES – APRIL 2000

| Products | Size | AVG. Price (B.D.) | AVG. Price US\$ Rate: 0.373 | Country of Origin |
|-----------------------------------|-------------------|-------------------|-----------------------------|-------------------|
| Chicken – Frozen, Balls | 18 pcs. /360 gm. | 0.675 | \$1.81 | U.A.E. |
| Chicken – Frozen, Breaded | 550 gm. | 0.960 | \$2.57 | Brazil |
| Chicken – Frozen, Breaded Fillet | 490 gm. | 1.100 | \$2.95 | Saudi Arabia |
| Chicken – Frozen, Breasts w/ Skin | 900 gm. | 1.375 | \$3.69 | Brazil |
| Chicken – Frozen, Burgers | 16 pcs. /360 gms. | 3.000 | \$8.04 | Kuwait |
| Chicken – Frozen, Burgers | 150 gm. | 1.200 | \$3.22 | South Africa |
| Chicken – Frozen, Burgers | 270 gm. | 1.200 | \$3.22 | Kuwait |
| Chicken – Frozen, Burgers | 540 gm. | 1.330 | \$3.57 | Brazil |

| Products | Size | AVG. Price (B.D.) | AVG. Price US\$ Rate: 0.373 | Country of Origin |
|----------------------------------|----------|-------------------|-----------------------------|-------------------|
| Chicken - Frozen, Burgers | 1500 gm. | 2.960 | \$7.94 | Brazil |
| Chicken - Frozen, Cutlets | 360 gm. | 1.200 | \$3.22 | Denmark |
| Chicken - Frozen, Drumsicks | 900 gm. | 0.900 | \$2.14 | France |
| Chicken - Frozen, Franks | 400 gm. | 0.340 | \$1.07 | France |
| Chicken - Frozen, Legs | 907 gm. | 0.710 | \$1.90 | France |
| Chicken - Frozen, Livers | 450 gm. | 0.500 | \$1.34 | Brazil |
| Chicken - Frozen, Nuggets | 250 gm. | 0.625 | \$1.68 | UAE |
| Chicken - Frozen, Nuggets | 270 gm. | 1.30 | \$3.48 | Kuwait |
| Chicken - Frozen, Nuggets | 270 gm. | 1.650 | \$4.42 | Saudi Arabia |
| Chicken - Frozen, Parts (Thighs) | 900 gm. | 0.888 | \$2.37 | Brazil |
| Chicken - Frozen, Whole | 1100 gm. | 0.520 | \$1.39 | Saudi Arabia |
| Chicken - Frozen, Whole | 1200 gm. | 0.560 | \$1.50 | Brazil |

SOURCE: ALEB - Bahrain Market Basket Surveys, April 2000.

SHELF LIFE (EXPIRY PERIOD)

GCC Standard 150/1993 sets forth the expiry dates for poultry products as well as other foodstuff products.

The expiry date for frozen poultry products in plastic containers is **12 months from slaughtering**. The standard also states that the product will not arrive in port more than 4 months from the date of slaughter.

The above-mentioned standards specify that all frozen poultry shall be maintained at a temperature not exceeding -18 degrees centigrade.

When certification is required for Halal Slaughtering, Health Certificates, Commercial Invoice, and Certificate of Origin, the processor can obtain the appropriate certification through the Bahrain Embassy or Consulate in the country of manufacture. In the event a Bahrain Embassy or Consulate is not available, the embassies or consulates of a friendly Arab country can attest to the authenticity of these documents.

- Commercial Invoice
- Health Certificate from the Country of Origin (Manufacture)
- Halal Slaughter Certificate for all meat and meat products
- Certificate of Origin
- Bill of Lading
- Packing List

CONSTRAINTS TO TRADE

Frozen whole chicken and chicken meat products will continue to be subjected to the 5% *ad valorem* import duty placed on all other food products. Prices are based on CIF value at the port of entry.

OPPORTUNITIES

Bahrain imported an estimated \$19,446,760 dollars of frozen whole birds and poultry meat in 1999. Brazil has the largest market share (60%) with Denmark (12%), and France (11%) following closely behind. These three exporting countries combined hold an 89% share of the market. Competing with these three giant producers will be difficult due to their tremendous price advantages with high volume sales and advertising.

Although chicken imports have declined slightly in the last two years, it is predicted that Bahrain will recover economically and trends will resume a steady climb back to higher



imports of not only chicken products, but also foodstuffs in general, according to one importer.

Bahrain is home to the U.S. Navy's Fifth Fleet (Central Command Area -- The Arabian Gulf, Western Indian Ocean, and the Red Sea). Some local importers are competing for bids tendered by the U.S. Government to meet U.S. Navy requirements for foodstuffs,

including poultry. Companies that have met U.S. Government Health Certification or Multi National Force Health Certification standards should contact importers in Bahrain to make them aware of these certifications for their processing plants to enhance potential exports.

Ship chandlers also purchase large quantities of foodstuffs to supply ocean vessels and oil rigs in the Gulf. These companies are looking for value-added products (frozen) to add to their inventories.

A number of new hotels are under construction in Bahrain, which will result in an increased demand for poultry products. Value-added products like breaded poultry are consumed in large quantities in hotel restaurants. Specialty poultry products like "cordon bleu" style partially cooked entrees are popular with hotel chefs to reduce cooking time and labor costs.

II. KUWAIT - COUNTRY PROFILE

Kuwait has long been considered to be the "Gateway to the Arabian Peninsula", which has given it a long-standing reputation for commercial trade. Kuwait is a modern, sophisticated country with approximately 2,270,865 inhabitants, with an estimated average per capita income of \$20,000 per year.

The largest percentage of the population (65%) is comprised primarily of non-Kuwaiti expatriates, 1,484,855, which work in the construction industry and service oriented positions. The largest percentages of the expatriates are primarily from: Asia, the Asian sub-continent, United States, E.U., and GCC countries.

Due to the harsh climates, arid flatlands, and lack of water resources, Kuwait must import almost all of its foodstuffs. Greenhouses supply a limited source for vegetable crops, but these crops bring much higher prices than imported frozen vegetables.

DISTRIBUTION CHANNELS

Food distribution channels revolve around many consumer cooperatives, which are prohibited by law from importing foodstuffs. Consumer cooperatives must purchase all foodstuffs through local importers. Co-operatives distribute approximately 70% of all retail foodstuffs in Kuwait, with the remaining 30% distributed through privately owned supermarket chains and smaller stores.

The list of outlets below will indicate how retail outlets are distributed throughout Kuwait. Most of the larger stores are quite modern and reflect a more Western shopping atmosphere.

RETAIL OUTLETS BY SIZE

1) UPPER TRADE

a) Co-operatives:

- 1) 58 main outlets (large Supermarkets; between 500 & 10,000 sq mt)
- 2) 28 medium size branches (medium Supermarkets; 300-500 sq mt)
- 3) 244 small size branches (less than 300 sq mt)

b) 9 Sultan Center Stores (Super Centers; 3000 to 10,000 sq mt)

c) 3 Other Private Supermarkets (medium to large Supermarkets)

d) 4 Private Home Center Stores (Medium to large Home Center Stores)

2) MIDDLE TRADE

a) Between 50 & 75 Wholesalers

b) Between 50 & 75 Popular markets (small to medium size Supermarkets)

3) LOWER END OF THE TRADE

a) Between 2000 & 3000 small Grocery stores (Bakales)

Wholesalers supply almost all retail outlets, institutional facilities, hotels, restaurants, hotels, and some military procurement programs. Many of these wholesalers own and operate large cold storage facilities, from which they distribute frozen meat, vegetables, fruits, and seafood. Generally, these wholesalers operate fleets of refrigerated trucks that deliver directly to their customers.

Pricing

Interviews with distributors indicated that the margins ranged anywhere from 20% to 30%, while lower wholesalers and retail outlets operate on a range from 10% to as low as 7% in some ethnic markets. These margins vary greatly depending upon the source. With this in mind, it is advisable for exporters interested in the Kuwait market to base any pricing decision on a median range.

SUPERMARKETS & OTHER OUTLETS

Kuwait has recovered from any damage done during the conflict in the early 1990's that left most retail outlets out of service. Many Kuwait supermarkets and Co-Op stores completely re-engineered their stores to upgrade and equip them with state-of-the-art facilities. Supermarkets bordering on hypermarkets are now common in Kuwait City. While not quite as large as some hypermarkets in Dubai, these stores are ultra-modern and offer their customers a very wide range of food products and consumer, household goods.

Frozen food sections are well stocked with imported vegetables and poultry products, and are very well displayed in attractive surroundings. Foodstuffs can be found from countries around the world, with a wide variety of size and flavor offerings.



The freezer case at the left is one example of how well frozen foods are displayed in a typical Kuwaiti supermarket.

Approximately one-quarter (25%) of the case at the left holds frozen poultry with the remainder stocked with frozen vegetables.

Value-added products are displayed above the traditional cold case, in an attempt to attract the customer's eye to the higher valued products. The cold case at the right contains poultry parts and franks.

Store personnel in all supermarkets visited are constantly re-stocking and maintaining cold cases. While organizing these cases, clerks remove any item that is nearing an expiry date, as these supermarkets want to assure that their customers receive the highest quality products.

In some cases frozen vegetables that are removed from the supermarkets will be sold to smaller, neighborhood markets that retail these products bundled together for sale at much lower prices. A small ethnic expatriate market located in Shuwaikh, had as many as 6 (450 gram) packages of frozen Egyptian peas taped together selling at KD .354 (\$1.16). The expiry date on these peas was not visible, so it was impossible to determine the age of the product.

Some Egyptian processed foods were found to be 20 to 40 percent lower in cost than other imported goods. Egyptian frozen vegetables were found in all stores visited during supermarket surveys, but were usually grouped together in the cold cases due to lower costs when compared to United States (US) or European Union (EU) imports.

Restaurants

Almost every conceivable fast food franchise (American and others) is represented in Kuwait. Many western type fast food restaurants could be found in both stand-alone structures and in large shopping malls.

Traditional restaurants offer a wide range of ethnic foods to satisfy the many different expatriate tastes present in Kuwait. This wide range of fast foods explains the increase in importation of frozen vegetables -- especially French fried potatoes.

Kuwaitis are adopting more Western-influenced eating habits, which account for the increase in many franchised restaurants. These Western style diets also explain the increased consumption of frozen foods, which are more convenient -- albeit more expensive than traditional Kuwaiti diets.

Many Western-franchised restaurants are owned by Kuwaiti food importers, which supply most of the daily requirements for these stores.

MARKETING A PRODUCT(S)

It is important to remember that almost all retail foodstuff sales (70%) are conducted through cooperatives, which are restricted by law from importing foods directly. All cooperatives must utilize importers or wholesalers to purchase all foodstuffs. These restrictions against cooperatives do not apply to privately owned supermarket chains.

When approaching buyers in Kuwait, the same three issues face the exporter as they do in any market:

- 1) **Price:** If a product's price is not competitive with similar products on the market, wholesale buyers are very hesitant to discuss any offer. Price alone is not the only consideration when reviewing new products, as freight rates also factor into the import equation. Freight rates are sometimes as much as \$1,000 more per container from Egypt than from Italy, for example.

In addition to basic pricing issues, payment of promotional costs will probably be required from some importers, especially for new products entering the Kuwait market. More and more stores are requiring shelving fees to place new

products in their markets. It is crucial to determine if any of these promotional fees are expected prior to making quotes on potential orders.

- 2) **Innovative Products:** Buyers are constantly being deluged with offers for every imaginable product from around the world on a daily basis. In more than one interview, buyers indicated that only new innovative products gain their interest. It is not unusual for a large supermarket to have as many as 10 to 20 variations of the same product on the shelf at a given time. Shelf space is very valuable, so products must sell to maintain a presence or they are removed. One buyer interviewed in Kuwait used the phrase "move or be moved [out]" relative to new products entering the market. The best way to maintain market presence on a Kuwait or any other store shelf is to be more innovative so as to stand out from the other brands offered for sale.
- 3) **Packaging:** Packaging issues were a source of constant complaint from buyers throughout the Gulf, and Kuwait importers were no different.

Poor packaging gives wholesale buyers and end user customers the impression that the contents are of inferior quality, and as a result demand for the product is lowered. Packaging that is currently marginally acceptable in Egypt cannot compete on the same level with packaging designs and methods utilized by major international brands.

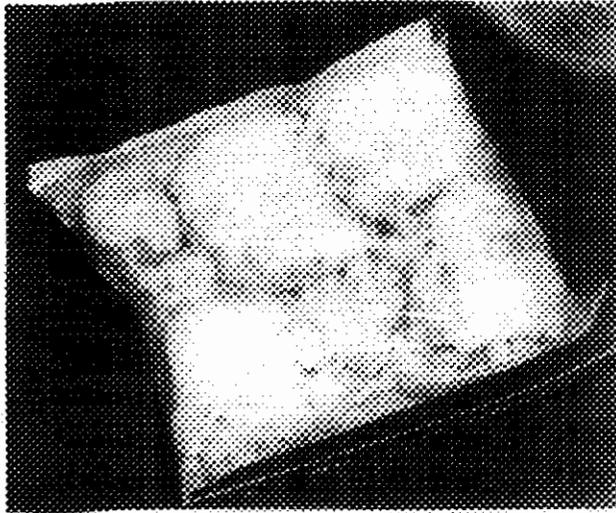
If an Egyptian processor is willing to be relegated to selling at a lower market price and accepting lower sales volumes, there is a limited market for these products.

Poor packaging will surely put a product into the lower acceptance category, if not totally eliminate opportunities with both the wholesale buyer and the end user.



International brands use high quality packaging with vibrant, eye-catching graphics to draw the consumer to their products and away from the competition.

In a freezer case that is over 15 meters long, there could be as many as 25 different companies offering up to 10 separate items packaged in as many as 4 different sizes.



The brand of Egyptian peas pictured at the left were found in the same freezer case as the products pictured above.

With this example, it is easy to see why poorly processed and poorly packed products can't compete on an equal footing with higher quality imports. The image of this substandard, poor quality, non-IQF product lowers the reputation of all Egyptian products.

Customers will buy with their eyes first, before they consider price. When a customer is confronted with so many choices, visual attraction is a very powerful marketing tool.

While conducting market basket surveys in Kuwaiti markets, it was interesting to hear comments from lower income expatriates concerning their distrust of poorly packaged products. *Although these consumers had less disposable income, quality was more important than price.*

One customer complained about the quality of some Egyptian peas that he had purchased based on their lower price. The customer complained that the peas he had purchased were tough and discolored and that this experience had left a bad impression on him of other Egyptian frozen vegetables.

With experiences like this, it is important for all Egyptian producers to maintain a high level of quality not only for their own products, but to impart a good reputation on ALL Egyptian products.

IMPORT REGULATIONS

As with other GCC countries, Kuwait loosely adheres to the GCC standards (GS -- 23/1985 - GS 9/1984) for packaging regulations, food product content and expiry periods. Kuwait has its own standards, but these mirror GCC standards.

The following is a general list of packaging requirements required by Kuwait for imported foodstuffs.

- Type of Product, Brand Name
- List of ingredients in descending order of content or proportion
- Additives listed by common name or "E" number
- Net contents in metric units
- Any animal fats must be identified as to origin. Any animal fats derived from pork/swine are strictly forbidden.
- Production date and expiry date (Must be printed, engraved, embossed or stamped, using indelible inks, directly on the original label at the time of production. Labels may not be affixed after a shipment has left the processing

facility). Bar coding is not permitted as a replacement for labeling requirements for production dates and expiry dates.

- Manufacturer's and or packers name and permanent address.
- Country of origin
- Special storage or preparation instructions
- Bilingual labels are permitted, provided one of the label's language is Arabic
- Arabic language stickers are allowed provided they are applied on English only labels, as long as they don't cover or contradict original label printing.

A complete listing of all GCC Regulations can be obtained in the ALEB ARAC Library in Cairo (plus a list of Kuwaiti Standards in Arabic only), during ALEB's regular business hours.

Shelf life standards for frozen foods for example are set by the 1997 Ministerial Decree 146/1996 in addition to the GCC standards which are similar. Exporters should determine which standards apply to their products from potential importers before manufacturing and shipment to ensure that all required standards have been met.

CUSTOMS AND INSPECTION REQUIREMENTS

All imported food products are exempt from customs duties in Kuwait. In addition to the lack of customs duties, there are no quotas, import licensing requirements or other non-tariff barriers governing imports of frozen vegetables.

Imported foods are subject to tasting to determine whether they are fit for human consumption. These tests can take from 3 to 7 days upon arrival in Kuwait -- times vary according to date of arrival.

Food products that arrive in Kuwait with **production dates older than four (4) months risk rejection by the importer** due to reduced shelf life potential. This is not specifically a Kuwaiti regulation, but seems to have been adopted by importers in general.

Frozen vegetables are normally not tested in laboratories unless they fail a visual test, or have a record of past problems. Should a shipment of frozen vegetables require health clearance, the normal time required is approximately 2 to 3 days.

In the event a food product is refused entry because of a dispute, the product may be stored in the importer's storage facility until an appeal can be decided. If a product is judged "unfit for human consumption," after an appeal process the importer has a six-month limit to either re-export the entire shipment to another country outside the GCC or destroy the shipment under supervision of local health authorities.

Other import restrictions include Halal certification for meat products, allowable pesticide levels (KS 514/1994), food coloring restrictions (KS 214-1985 and GS 23/1984) and additive restrictions covered by KS 147/1994, which is almost identical to the Codex Alimentarius regulations.

TRANSPORTATION

Kuwait is supplied by sea through two ports, the main port of Shuwaikh, which has a new free zone, with 18 deep-water berths, and Shuaiba located south of Kuwait City.

Overland transportation from other GCC countries and Egypt is available by refrigerated trucks over modern highway systems. A limited amount of foodstuffs arrive via air-freight, but this is a very expensive option used primarily for high valued, fresh produce items such as fresh lettuce, strawberries, and flowers from the E.U. and the U.S.

Freight costs can be high for foodstuffs arriving from Egypt, whether by truck or container shipments. The quotes listed in the table below as per four different Cairo-based freight agents are probably negotiable once a regular shipping schedule has been established. These prices are not guaranteed and in some cases, may be reduced given an advance notice of 10 or more days prior to shipment departure. Rates also tend to vary with seasons and availability of containers and trucks. From this listing of freight rates, it is clear that obtaining several quotes prior to deciding on a particular carrier or freight agent is more cost-effective when exporting to the Gulf and elsewhere.

FREIGHT ESTIMATES FROM CAIRO TO KUWAIT - JULY 2000

| Egypt to... | Container Small - Dry | Container Large - Dry | Container Small-Refrig. | Container Large-Refrig. | Truck Dry | Truck Refrig. |
|-------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------|---------------|
| Kuwait 1 | US\$475 | US\$850 | US\$2,550 | US\$3,600 | US\$2,500 | US\$2,800 |
| Kuwait 2 | US\$550 | US\$900 | Not available | US\$3,400 | US\$2,200 | US\$2,500 |
| Kuwait 3 | US\$650 | US\$950 | US\$2,000 | US\$2,900 | US\$2,100 | US\$2,800 |
| Kuwait 4 | US\$1,400 | US\$2,000 | US\$2,200 | US\$3,000 | US\$3,000 | US\$3,200 |

FREIGHT HANDLING SUGGESTIONS

Due to the potential for claims caused by temperature damage to frozen or chilled products in transit, the Egyptian exporter should *place a temperature-recording device in each shipment to indicate transit condition. To preserve the quality of the shipment, the exporter should also ensure a completely chilled shipping container or overland truck trailer before loading any shipment from Egypt destined for the Gulf.*

EXPORT OPPORTUNITIES

Based on the following commodity summaries for Kuwait, these are the suggested markets that Egyptian processors should explore and/or attempt to increase sales in:

- Fruit Juices
- Jams and Jellies (Marmalades)
- Olive Oils - packaged alone or co-packed with other products, like vinegar
- Diabetic pastas or uniquely-shaped pastas
- Frozen Vegetables - Egypt dominated this market as of 1998, but most Egyptian vegetables observed on market basket surveys, were not IQF; all frozen vegetables must be IQF to retain or increase market share
- Pickled Vegetables

- **Waters** - Egypt was the second largest importer of "Flavored" waters in 1998. So this market should continue to be pursued. "Natural and Artificial" Waters represent another market despite fierce domestic and foreign competition. Innovative packaging and relentless marketing and special promotions, however, may allow a foothold in this otherwise tough market.

COMMODITY SUMMARY

Poultry - Meat & Whole Frozen Chickens - Combined

Based on Kuwait Planning Ministry information, 1998 frozen poultry imports to Kuwait totaled US\$95,529,660. Frozen whole chickens dominated the market with 85% of total imports; the remainder consisted of chicken parts exported by Brazil, the United States, Saudi Arabia and China.

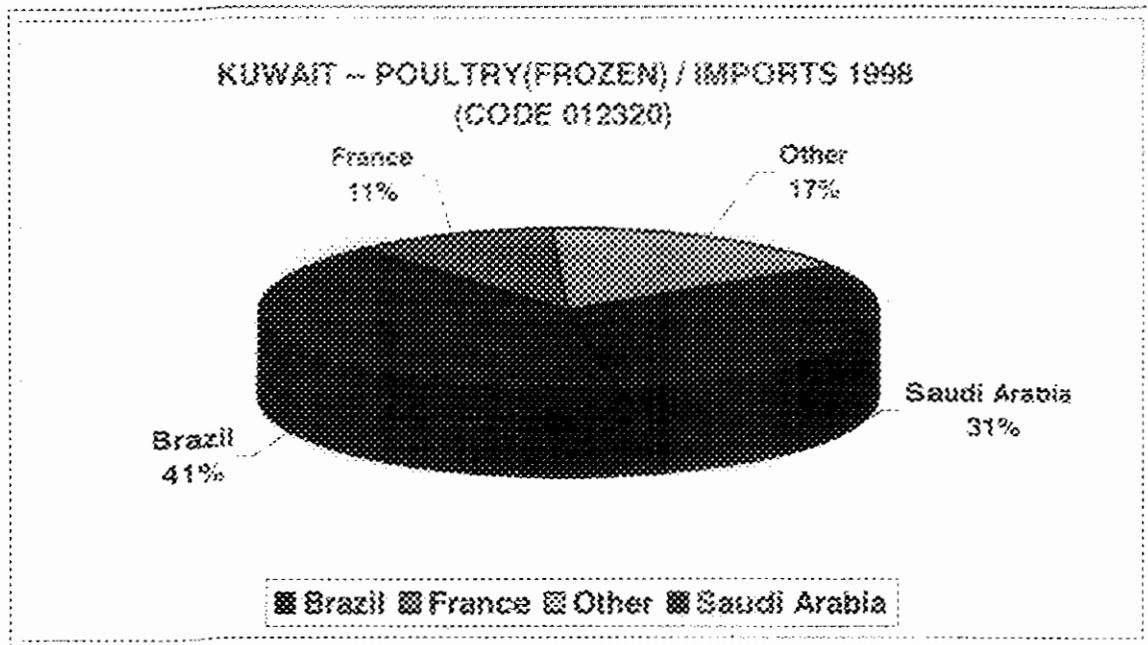
Brazil topped the list of major poultry exporters with a 41% of the frozen poultry category market, followed by Saudi Arabia with a 31% share according to Kuwait Planning Ministry data. Neither CAPMAS-Egypt nor FAO data distinguished between whole frozen chicken and chicken meat or parts in order to provide an accurate basis for comparison.

KUWAIT CODE INDEX

(Frozen Poultry Only)

| OPPORTUNITY COMMODITIES | Kuwait Ministry of Planning EXACT COMMODITY TITLE | Kuwait Ministry of Planning CODE NUMBER |
|-------------------------|--|---|
| Poultry, Frozen | Meat of Poultry, Frozen | 012320 |

KUWAIT – POULTRY (FROZEN)



SOURCE: KUWAIT MINISTRY OF PLANNING

| KUWAIT – POULTRY (FROZEN) / IMPORTS 1998 (CODE: 012320) | | | | |
|---|-------------------|-------------------|------------------------|---------------|
| COUNTRY | WEIGHT (Kg.) | VALUE (KD) | VALUE (USD) | \$/Kg. |
| Brazil | 27,640,998 | 11,967,182 | \$39,495,650.17 | \$1.43 |
| Saudi Arabia | 5,172,467 | 9,108,425 | \$30,060,808.58 | \$5.81 |
| France | 7,700,667 | 3,076,684 | \$10,154,072.61 | \$1.32 |
| Other | 7,915,620 | 4,793,196 | \$15,819,128.71 | \$2.00 |
| TOTAL - 1998: | 48,429,752 | 28,945,487 | \$95,529,660.07 | \$1.97 |

MARKET ANALYSIS

Frozen whole chickens comprised the largest percentage -- 85% -- of all imported poultry, with the remaining 15% consisting of chicken parts. According to U.S. Foreign Agricultural Service (FAS) reports, projected import estimates for 1999 were 55,000 metric tons or 3,000 metric tons more than the 52,000 metric tons imported in 1998. The actual 1999 importation of frozen poultry amounted to approximately 52,365 metric tons, which was 30,635 metric tons short of estimated 83,000 metric ton consumption in 1999. Projections for 2000 are estimated to rise 5% to 58,000 metric tons (48,000 metric tons whole chickens & 10,000 tons of chicken parts).

The largest exporters of whole chicken to Kuwait are Brazil, Saudi Arabia, France, and Denmark (although Denmark is not reflected in Kuwait Planning Ministry data). Kuwait Planning Ministry data shows that Brazil has acquired a 41% share of the frozen poultry market, followed by Saudi Arabia with a 31% share. According to FAS reports, Brazil and the United States (US) both share the 4,000 metric ton portion of the poultry parts

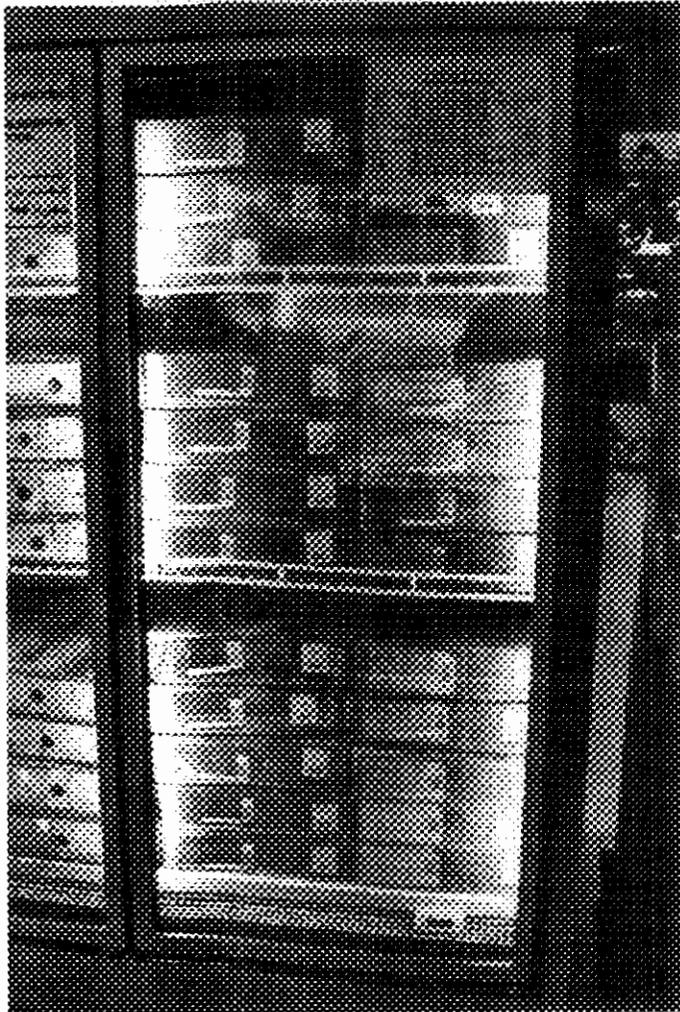
market, while Thailand and the People's Republic of China (PRC) share the boneless poultry meat export market. Importation of boneless chicken meats is expected to increase as much as 7% due to the convenience aspects of this form of poultry.

Local production is slowly recovering from the hostilities in 1990/1991. Production was estimated to reach 28,000 to 30,000 metric tons in 1999. An expansion of Kuwaiti processing facilities is expected to raise production to a level of 31,000 metric tons in 2000.

Export values amounted to only \$550,458, which was divided between Saudi Arabia (\$102,198), Bahrain (\$5129,326), Qatar (\$138,742) and assorted other, unspecified countries (\$170,092).

With the combined Kuwaiti and expatriate populations totaling approximately 2,270,865, the average poultry consumption per person is estimated at 28.5 kilos per year. Increased consumption is projected due to a steady rise in the expatriate community.

The type of poultry meat preferred by Kuwaiti nationals as compared to expatriates varies greatly. Kuwaiti nationals prefer live or fresh poultry because of the Halal and perceived health aspects, while expatriates prefer frozen poultry due to the convenience. Frozen poultry imported from Brazil and Saudi Arabia are considered better brands due to the public's trust in Halal processing from these countries.



FROZEN CHICKEN BULK SALES CASE - KUWAIT

Photo Courtesy of Sultan Center Kuwait.

Some poultry for sale in *halkalas* (neighborhood grocery stores) appeared to be close to expiry dates or the packaging materials had sustained some damage, which lowered the price of these products. Pricing in smaller markets was very difficult to obtain, due to the lack of pricing on packages or on written labels. It was apparent that the appearance of the customer determined the price in many cases. An experiment was conducted using an Asian expatriate Kuwaiti resident who bought a whole frozen chicken for as much as a 50% lower price than an American expatriate.

Asian and sub-Asian expatriate consumers with lower incomes prefer to buy frozen poultry in the 300 to 1,100 gram range due to the lower prices.

Master cases of 10 chickens per case are popular with expatriate workers who pool money for savings offered by larger quantities.

Consumers in this market have a preference for white-skinned types of chicken over the more yellow-skinned varieties.

Consumer co-operatives market 70% of all imported poultry meat. The Kuwait City Wholesale Market supplies smaller markets and grocery stores. The remaining 10% of the imported poultry is marketed through institutional, hotel, restaurant, and military users.

Wholesale margins are between 10 to 15 percent, while retail margins are 15 to 20 percent.

PRICES (CIF) FOR POULTRY IMPORTED INTO KUWAIT - SEPTEMBER 1999

| TYPE | COUNTRY | PRICE PER METRIC TON |
|--|--------------|----------------------|
| FROZEN WHOLE BROILER | BRAZIL | \$1,160 - \$1,180 |
| FROZEN WHOLE BROILER | DENMARK | \$1,200 |
| FROZEN WHOLE BROILER | FRANCE | \$1,070 |
| FROZEN WHOLE BROILER | SAUDI ARABIA | \$1,750 |
| FROZEN CHICKEN PARTS (LEGS, THIGHS, DRUMSTICKS) | USA | \$1,140 |
| FROZEN CHICKEN PARTS (LEGS, THIGHS, DRUMSTICKS) | BRAZIL | \$1,342 |

SOURCE: ATO Doha, USAFAS

Prices for Brazilian frozen whole broilers (CIF) Kuwait have been reported at \$980.00 per metric ton as recently as June 1, 2000 by one Kuwaiti importer.

KUWAIT MARKET BASKET SURVEY AVERAGES - APRIL 2000

| Products | Size | Avg. Price (K.D.) | Avg. Price (US\$) Rate: 0.303 | Country of Origin |
|--|-----------------|-------------------|----------------------------------|-------------------|
| Chicken-Frozen, Breaded Kiev | 500 gm. | 1.225 | \$4.03 | Saudi Arabia |
| Chicken-Frozen, Breast Fillets (Breaded) | 256 gm. | 2.100 | \$6.93 | United States |
| Chicken-Frozen, Breast Halves | 450 gm. | 1.600 | \$5.28 | Brazil |
| Chicken-Frozen, Breasts | 900 gm. | 1.200 | \$3.96 | Brazil |
| Chicken-Frozen, Breasts - Boneless | 2.5 kg. | 3.200 | \$10.56 | Brazil |
| Chicken-Frozen, Burgers | 840 gm./15 pos. | 1.850 | \$5.71 | Kuwait |
| Chicken-Frozen, Burgers | 297 gm. | 0.840 | \$2.59 | United States |
| Chicken-Frozen, Burgers | 1200 gm. | 1.900 | \$5.87 | Belgium |
| Chicken-Frozen, Cordon Bleu | 500 gm. | 1.140 | \$3.78 | Kuwait |
| Chicken-Frozen, Drumsticks | 570 gm. | 1.200 | \$3.96 | Kuwait |
| Chicken-Frozen, Drumsticks | 635 gm. | 0.540 | \$1.78 | United States |
| Chicken-Frozen, Drumsticks | 907 gm. | 0.730 | \$2.41 | United States |
| Chicken-Frozen, Franks | 343 gm. | 4.900 | \$16.17 | United States |
| Chicken-Frozen, Franks | 400 gm. | 0.438 | \$1.34 | Belgium |
| Chicken-Frozen, Franks | 400 gm. | 0.310 | \$0.99 | France |
| Chicken-Frozen, Franks | 400 gm. | 0.340 | \$1.12 | Saudi Arabia |
| Chicken-Frozen, Legs | 2.5 kg. | 2.700 | \$8.91 | Brazil |
| Chicken-Frozen, Legs (in Bag) | 1 kg. | 0.850 | \$2.74 | Belgium |
| Chicken-Frozen, Legs (in Bag) | 907 gm. | 0.650 | \$2.15 | United States |

| Products | Size | Avg. Price (K.D.) | Avg. Price (US\$) Rate: 0.203 | Country of Origin |
|-------------------------|---------------------|-------------------|----------------------------------|-------------------|
| Chicken-Frozen, Nuggets | 500 gm | 1.000 | \$3.30 | Kuwa |
| Chicken-Frozen, Whole | 900 gm./2 pack | 0.990 | \$3.27 | China |
| Chicken-Frozen, Whole | 800 gm./Case of 10 | 5.000 | \$15.50 | Brazil |
| Chicken-Frozen, Whole | 800 gm./Case of 10 | 6.200 | \$20.46 | Saudi Arabia |
| Chicken-Frozen, Whole | 900 gm | 0.970 | \$1.88 | France |
| Chicken-Frozen, Whole | 900 gm. | 0.960 | \$1.85 | France |
| Chicken-Frozen, Whole | 900 gm. | 0.710 | \$2.34 | Saudi Arabia |
| Chicken-Frozen, Whole | 900 gm. | 0.790 | \$2.61 | Saudi Arabia |
| Chicken-Frozen, Whole | 900 gm./Case of 10 | 5.600 | \$18.48 | Brazil |
| Chicken-Frozen, Whole | 900 gm./Case of 10 | 5.700 | \$18.01 | France |
| Chicken-Frozen, Whole | 900 gm./Case of 10 | 7.000 | \$23.10 | Saudi Arabia |
| Chicken-Frozen, Whole | 1000 gm. | 0.780 | \$2.57 | Saudi Arabia |
| Chicken-Frozen, Whole | 1000 gm. | 0.970 | \$3.20 | Saudi Arabia |
| Chicken-Frozen, Whole | 1000 gm./Case of 10 | 2.950 | \$9.74 | Brazil |
| Chicken-Frozen, Whole | 1200 gm. | 0.950 | \$3.14 | Saudi Arabia |
| Chicken-Frozen, Whole | 1200 gm. | 1.050 | \$3.47 | Saudi Arabia |
| Chicken-Frozen, Whole | 1300 gm./Case of 10 | 8.200 | \$27.06 | Brazil |
| Chicken-Frozen, Whole | 1300 gm./Case of 10 | 9.400 | \$31.12 | Brazil |

SOURCE: ALEB - Kuwait Market Basket Surveys, April 2000.

1. MARKETING

Marketing is extremely sophisticated in Kuwait. Television, newspaper, and billboards advertisements are well planned and heavily funded due to intense competition between imported brands. Due to the multi ethnic nature of the expatriate workforce present in Kuwait, language problems in advertising are circumvented by using photos of foods on advertisements to gain market share.

Some poultry parts cases in Kuwait measured over 15 meters in length, offering over 18 brands of poultry from 6 different countries.

Value-added poultry products are very popular with most Kuwaiti nationals as well as expatriates. Most of these value

added products are breaded, with a small percentage offering meats with pastas, cheese, or sauces that feature heat and eat convenience.



2. IMPORT REQUIREMENTS FOR POULTRY

Poultry products must conform to Halal certification requirements for slaughter as well as all packaging and labeling laws. In addition to the Halal requirements, all poultry must pass a salmonella tolerance test. The official requirements for Salmonella tolerance are 0%, but according to US Foreign Agricultural Service (FAS) publications, as much as 20% is allowable from a sample of 5 birds.

SHELF LIFE (EXPIRY)

In addition to salmonella and Halal import requirements, Expiry or Shelf Life requirements must also be met. The GCC standard for shelf life is 12 months for frozen poultry meat, and it must arrive in Kuwait within 4 months of slaughter. Due to lack of enforcement, Kuwait authorities are allowing shelf life to be extended up to 2 years as per FAS Reports. According to FAS, most importers request shelf life expiry dates of no more than 12 to 18 months.

CONSTRAINTS TO TRADE

Although there are no Kuwaiti governmental trade barriers such as tariffs, duties or quotas, lower unit pricing by large foreign producers is the main obstacle to Egyptian poultry producers.

Freight is a constant constraint to importation, due to the higher cost associated with shipments from Egypt.

Brazilian producers have the advantage of volume production facilities and well-planned advertising campaigns. One Brazilian producer is said to have a 1,000,000 bird per c slaughter capability. With this kind of volume, it is very difficult for a small producer to compete on a unit basis.

China (PRC) is becoming more visible on the market with boneless/skinless poultry meats at a very competitive price. The lower prices for chicken parts, is due primarily to the lower prices paid for labor, feeds and transportation costs.

OPPORTUNITIES

Egyptian poultry producers may not be able to compete on a one-to-one price basis for whole frozen chickens, but there is an emerging market for "value-added" products and chicken parts.

Brazilian producers are just entering the market with breaded and formed products like "kid nuggets," "kid shapes," chicken franks (cheese-filled, etc.) and ready-to-eat poultry meals containing several other ingredients like cheese, pastas, vegetables, and larger serving sizes.

Egyptian processors can compete with these items, due to lower labor costs used for hand trimming operations. Consumers are always seeking innovative products to save time and money. New menus utilizing poultry products are always in demand by consumers looking for change.

Convenience is the watchword for new products. The average Kuwaiti consumer is more mobile and has more disposable income to pay for conveniences like prepared meals.

Many franchised restaurant operations buy directly from producers. Franchised restaurants use high volumes of breaded poultry products in their menus, making this an excellent opportunity for new exporter points of entry into an over-crowded whole-chicken market.

Better packaging with high resolution and glossy graphics is being used on value-added and chicken parts packages to draw a customer's attention to their products. As competition increases in the market, packaging will play a more critical role in maintaining and increasing market share.

III. QATAR - COUNTRY PROFILE

One of the smaller Gulf Cooperation Council (GCC) countries, Qatar's population exceeds 700,000 and has an area of about 11,556 Square Kilometers. The Qatar peninsula has an extensive coastline in the Arabian Gulf, sharing its only border with Saudi Arabia to the south.

The average age of this population mirrors Dubai and the United Arab Emirates in that 71% of the population falls between the ages of 15 and 64 and holds the most disposable income.

As an oil and natural gas rich nation, Qatar has tried to diversify the country's economic base. However, the economy continues to rely heavily on revenues from oil exports amounting to 500,000 barrels per day. Efforts are underway to broaden the sources of Qatar's national income by establishing basic industries including: petrochemicals, chemical fertilizers, cement, iron and steel.

DISTRIBUTION CHANNELS

Currently, Qatar has approximately 30 supermarkets, about 5 of which are considered "A" or first-class supermarkets. There are 43-plus food importers in Qatar.

The food product purchasing market is structured much like Dubai's in that there are three types of food buyers: retailers, wholesalers and distributors (representing specific brands). These companies may operate as separate, distinct entities or, as is often the case, as a vertically integrated company. One upscale supermarket located in a Doha shopping mall also operated a cold-store wholesale distribution outlet as an adjunct business.

MARKETING A PRODUCT (S)

Of the six meetings conducted on a two-day visit by this author with Qatar's importers and supermarket representatives, one consistent comment heard relative to Egyptian processors marketing in Qatar was that: "Prices need to remain steady and they must be competitive." Other key issues included: Customer service and follow-up, product quality, and freight costs from Egypt. Many of these importers were also interested in private labeling possibilities.

When approaching buyers in Qatar as with any other GCC country, an exporter should be aware of the following issues.

- 4) **Price:** Exporters must be prepared to discuss prices on a C&F or CIF basis. If pricing is not competitive with similar products on the market, wholesale buyers are very hesitant to discuss any offer. Price alone is not the only consideration when reviewing new products as freight rates also factor into the product's overall cost. Freight rates are sometimes as much as \$1,000 more per container from Egypt than from EU countries, for example.

In addition to basic pricing issues, **payment of promotional costs** will probably be required from some importers, especially for new products entering the Kuwait market. More and more stores are requiring **shelving fees** to place new products in their markets. Exporters must ensure that all costs, excluding product costs, are considered prior to submitting a final price quote or invoice to an importer.

Generally retail food prices are about 25 to 30% above import/wholesale prices.

- 5) **Packaging and Product Quality:** Packaging issues were a source of constant complaint from buyers throughout the Gulf, and Qatar's importers were no different.

Poor packaging gives wholesale buyers and end user customers the impression that the contents are of inferior quality, and as a result price points for these product are lowered. Packaging that is currently marginally acceptable in Egypt cannot compete on the same level with packaging designs and methods utilized by major international brands.

If an Egyptian processor is willing to sell products at lower market prices and to accepting lower sales volumes, there is a limited market for these products.

PAYMENT METHODS

Like other Gulf importers, Qatar's importers typically expect to receive **extended payment arrangements** (30, 60, 90, or 120 days) as this is considered a normal business practice. Importers here also typically receive **volume discounts** for larger or repetitive orders.

It is also a standard business practice to request **shelving fees** for new products along with **payments of promotional costs**. Promotional costs may be fronted by the importer and reimbursed by the foreign exporter; otherwise these costs are paid directly by the exporter and, accordingly, must be factored into any price quotes.

IMPORT REGULATIONS

In Qatar, the letter of credit (L/C) is typically used to control exports and imports. When an L/C is opened, the supplier - Egyptian exporter - will be required to provide a certificate of origin, and a certificate from the captain of the ship or from the shipping agency stating that the ship is allowed to enter one of Doha's ports. Both documents should be notarized by a Gulf Cooperation Council (GCC) country embassy.

To clear goods from Customs zones Qatar's ports or land boundaries, Qatar's importers must submit several documents including:

- Bill of Lading
- Certificate of Origin
- Pro Forma Invoice; and
- Import License

Only authorized agents are allowed to import specific goods produced by the foreign companies they represent in the local market.

LABELING (GULF STANDARD NO. 9/1995)

Labeling standards are very strict in all GCC countries. The Qatari Standard No. 9/1996 "Labeling of Prepackaged Foodstuffs" closely resembles standards set forth in the Gulf Standard No. 9/1995. Consistent with the standards, imported food product labels must include the following information:

- Product Names
- Brand Name
- Production and Expiry Dates
- Country of Origin
- Name and address of the manufacturer
- Net weight in metric units
- Ingredients in descending order of proportion
- Additives in descending order of proportion
- All fats and oils used as ingredients must be specifically on the label

Labels must be in either Arabic only or in Arabic/English. Arabic stickers are acceptable.

Special foods such as diet and health foods as well as foods for diabetics and infants must contain detailed information about the product's vitamin and mineral content, nutritive value per 100 grams and proper use and storage. These foods must be approved and registered by the Ministry of Health prior to importing.

CUSTOMS AND INSPECTION REQUIREMENTS

For customs valuation purposes, a 4 percent *ad valorem* (of C&F or CIF) duty is imposed on all imported foodstuffs. With this customs' duty plus documentation and other clearance costs, a supplier/importer can expect to pay about 7% to 8% of the shipment's value to clear customs in Qatar.

Basic food commodities like the following are exempt from this customs duty.

- Wheat
- Flour
- Rice
- Powdered Milk

The Food Control Division of the Preventive Health Department within the Ministry of Public Health enforces Qatar's food safety regulations. Health inspectors routinely visually inspect all imported food products, verify compliance with label requirements, and if needed, draw samples for laboratory analysis by the Ministry. While not all shipments are subject to lab analysis, new-to-market products and products which failed prior inspections are considered subject to a complete analysis at the time of import. The entire analysis process -- sampling to results -- normally takes five (5) to ten (10) days.

Poultry products must be accompanied by a Halal Certificate issued by an approved Islamic center in Egypt and are also randomly inspected for *salmonella*. A shipment will

be rejected if salmonella is detected in more than 20% of the tested samples much like Dubai.

Infant and diabetic products require a special import/sales permit issued by a joint committee of representatives from the Food Control Division of the Preventive Health Department and the Pharmacies and Medicines Control Department - both falling under the Ministry of Public Health. The importer must obtain this permit. To expedite entry to the Qatar market, exporting companies are strongly encouraged to work closely with a Qatar importer to obtain pre-export approval for labels, especially for new products.

TRANSPORTATION

Qatar is serviced by a variety of hard-surfaced road connections, an international airport, and two ports capable of handling freight container cargo.

ROAD SYSTEM

Currently, Qatar's only foreign road connection is with Saudi Arabia. The country itself contains over 1,000 miles of paved roads, however. Qatar is now connected with Europe via the Trans-Arabia Highway through Saudi Arabia and with the United Arab Emirates and Oman via a hard-surfaced route, also through Saudi Arabia. A large percentage of Qatar's imports arrive by truck with increasing amounts entering by one of two port facilities.

PORT AND AIR TRANSPORT FACILITIES

Two ports handling cargo in Qatar include the one in Doha, containing 11 berths and the Umm Said port, approximately 48 kilometers south of Doha. The Umm Said port, with 9 berths, generally handles bulk shipments. General cargo is typically unloaded at Umm Said and then transported to Doha by barge or truck via the Qatar National Navigation and Transportation Company.

The main air transport facility in Doha is Doha International Airport, which is serviced by 20 international passenger airlines. The largest airport in Qatar, this facility is capable of handling large amounts of air cargo.

FREIGHT RATES

The table below reflects quotes from four different Cairo-based freight agents. Notice the fluctuating prices for freight to Qatar from Egypt. The rates given are probably negotiable once a regular shipping schedule has been established. These prices are not guaranteed and in some cases, may be reduced given an advance notice of 10 or more days prior to shipment departure. Rates also tend to vary with seasons and availability of containers and trucks. From this listing of freight rates, it is clear that obtaining several quotes prior to deciding on a particular carrier or freight agent is more cost-effective when exporting to the Gulf and elsewhere.

FREIGHT ESTIMATES FROM CAIRO TO QATAR - JULY 2008

| Egypt to... | Container Small - Dry | Container Large - Dry | Container Small-Refrig. | Container Large-Refrig. | Truck Dry | Truck Refrig. |
|------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------|---------------|
| QATAR (1) | US\$1,000 | US\$1,600 | Not available | Not available | US\$2,200 | US\$2,500 |
| QATAR (2) | US\$1,000 | US\$1,600 | US\$2,850 | US\$3,800 | US\$2,800 | US\$3,300 |
| QATAR (3) | US\$1,250 | US\$1,900 | N/A | N/A | US\$2,800 | US\$3,200 |
| QATAR (4) | US\$1,900 | US\$2,200 | US\$2,600 | US\$3,200 | US\$3,000 | US\$3,200 |

Shipping container delivery dates following departure from Egypt can range between 15 and 20 days, because of other port stops along the Gulf route. A truck (40 foot-dry) traveling from Egypt to Qatar can deliver goods within 4 to 5 days, but may cost between US\$2,200 and US\$3,200.

Most foodstuffs arrive in Qatar from the UAE via truck transportation through the Abu Samra crossing point that borders with Saudi Arabia. More and more refrigerated containers are arriving in the port in Doha, arriving from the UAE. It would be wise to request rates for both Qatar and the routing through the UAE to determine which routing would be the most cost effective.

DOCUMENTS WHILE IN TRANSIT

It is important to provide the required documentation for all shipments, in order to avoid delays Bahrain's ports of entry. The following items must accompany the shipment while in transit.

- Commercial Invoice (Original)
- Health Certificate (Issued by Egyptian Health Authorities)
- Certificate of Origin (Country of Origin)
- Bill of Lading
- Packing List

It would be prudent to forward copies of all documents to the importer to facilitate clearing and banking, as well as a backup should documentation be lost during shipment.

FREIGHT HANDLING SUGGESTIONS

Due to the potential for claims caused by temperature damage to frozen or chilled products in transit, the Egyptian exporter should place a **temperature-recording device** in each shipment to indicate transit condition. These temperature-monitoring devices can protect an exporter or shipper from false temperature related damage claims. To preserve the quality of the shipment, the exporter should also ensure a **completely chilled shipping container** or overland truck trailer before loading any shipment from Egypt destined for the Gulf.

EXPORT OPPORTUNITIES

Based on market basket surveys, interviews with importers conducted by this author, Country Commercial Guides issued by the U.S. Embassy, and a thorough analysis of Qatar's trade data, Egypt's best high value food product opportunities among those listed under *Commodity Summaries* below include:

- Juices
- Jams & Jellies
- Poultry Meat
- Frozen Vegetables
- Diabetic Products

Other opportunities not discussed in the following *Commodity Summaries* include: beverage bases, frozen beef, breakfast cereals, sauces and condiments, and snack foods.

COMMODITY SUMMARY

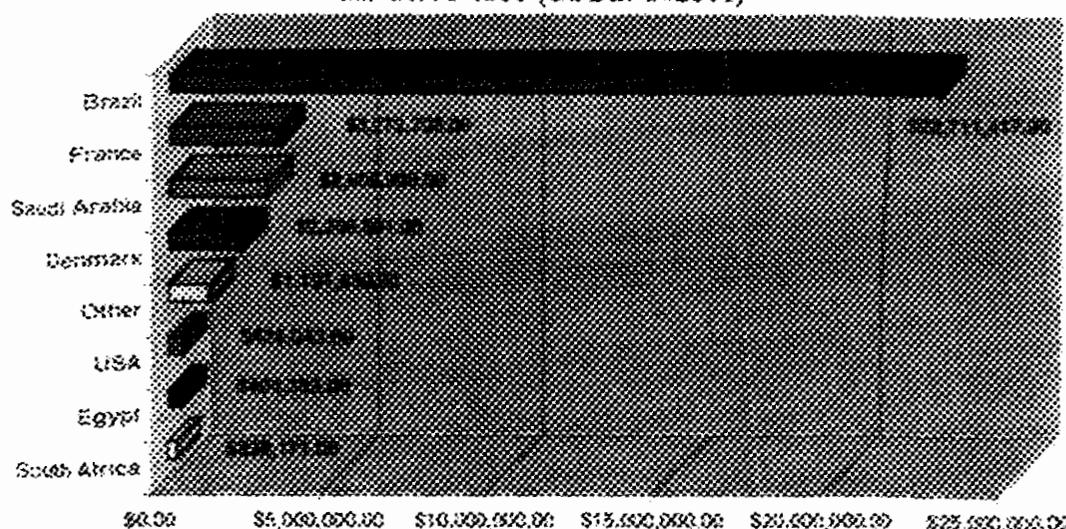
Poultry - Meat & Whole Frozen Chickens - Combined

In 1998, based on Qatar Planning Council data, Brazil dominated the Frozen Poultry market in Qatar with exports valued at US\$22,711,417 (68% market share). France, the second largest exporter to Qatar of this commodity, saw its imports reach US\$3,272,708 in Qatar, while Saudi Arabia ranked third with its imports valued at US\$2,908,999.

Egypt exported US\$404,383 of frozen poultry to Qatar in 1998 acquiring 1% of this market. So, this suggests that companies performing all of the necessary aggressive marketing and promotional planning steps can compete against giant exporting countries like Brazil.

QATAR - POULTRY

QATAR - POULTRY MEAT, FRESH, CHILLED, or FROZEN /
IMPORTS 1998 (CODE: 012300)



SOURCE: QATAR PLANNING COUNCIL

QATAR - MEAT & EDIBLE OFFAL OF POULTRY, FRESH, CHILLED, OR FROZEN /
IMPORTS 1998 (CODE: 012300)

| COUNTRY | WEIGHT (Kg.) | VALUE (QRS) | VALUE (USD) | \$/Kg. |
|----------------------|-------------------|--------------------|------------------------|---------------|
| Bahrain | 20,291 | 239,752 | \$66,597.78 | \$0.30 |
| Brazil | 14,556,733 | 81,761,102 | \$22,711,417.22 | \$0.64 |
| Denmark | 1,615,229 | 7,943,765 | \$2,206,601.38 | \$0.73 |
| Egypt | 86,654 | 1,455,781 | \$404,383.61 | \$0.21 |
| France | 2,735,554 | 11,781,749 | \$3,272,708.06 | \$0.84 |
| Other | 365,206 | 2,664,933 | \$1,191,830.86 | \$0.31 |
| Saudi Arabia | 1,325,013 | 10,472,398 | \$2,908,999.44 | \$0.46 |
| South Africa | 61,757 | 861,315 | \$239,171.11 | \$0.26 |
| U. A. E. | 28,698 | 387,394 | \$107,609.44 | \$0.27 |
| USA | 184,206 | 1,526,556 | \$424,043.33 | \$0.43 |
| TOTAL - 1998: | 20,979,343 | 119,114,446 | \$33,533,362.25 | \$0.63 |

MARKET ANALYSIS

Qatar imported an estimated \$33,533,362 of poultry meats in 1998 based on Qatar Planning Council data. Data on 1997 imports was not available for this report. Qatar did not report any exports for 1998, but showed total re-exports of poultry at \$74,378 to both Saudi Arabia and the United Arab Emirates (U.A.E.) combined. Egypt's exports to Qatar amounted to \$404,383.61 or 1% of the total poultry meat market.

Based on U.N Food and Agriculture Organization (FAO) reports, estimated imports of poultry meat arriving in Qatar reached \$24,000,000 in 1998. Exports were estimated at

\$5,000,000. Export data from FAO could not be substantiated when compared with official Qatar trade data especially since FAO also reported chicken meat imports at \$24,000,000 in 1997, with exports of \$5,000,000, which is suspiciously similar to the Poultry Meat data mentioned previously. Once again, it was not possible to substantiate these figures, due to lack of data from the Qatar reporting agency.

FAO reports that in 1998 Egypt imported an estimated \$55,000 in poultry meat -- a decrease of \$98,000 from 1997 import figures. FAO reported that exports for 1998 reached approximately \$1,257,000, a decrease of \$752,000 from 1997 export figures.

Brazil dominated Qatar's poultry meat/chicken meat market with 68% of total imports for 1998 or \$22,711,417.22 of product. The second largest exporter, France, saw its imports reach \$3,272,707 in 1998, while Egypt's poultry meat exports to Qatar totaled \$404,383.61 -- or 1% of the market -- that same year.

QATAR SUPERMARKET SURVEY AVERAGES - APRIL 2000

| Products | Size | Avg. Price (Q.R.) | Price (US\$) Rate: 3.60 | Country of Origin |
|--|----------|-------------------|----------------------------|-------------------|
| Chicken - Frozen | 1000 gm. | 6.75 | \$1.88 | Denmark |
| Chicken - Frozen | 1000 gm. | 7.50 | \$2.08 | France |
| Chicken - Frozen | 1100 gm. | 8.50 | \$2.36 | France |
| Chicken - Frozen | 1200 gm. | 8.50 | \$2.36 | Denmark |
| Chicken - Frozen | 1400 gm. | 9.75 | \$2.71 | Qatar |
| Chicken - Frozen, Breasts w/ Bone & Skin | 800 gm. | 14.00 | \$3.89 | Brazil |
| Chicken - Frozen, Burgers | 1000 gm. | 23.00 | \$6.39 | Qatar |
| Chicken - Frozen, Drumsticks | 900 gm. | 10.50 | \$2.92 | Brazil |
| Chicken - Frozen, Franks | 400 gm. | 5.25 | \$1.46 | Qatar |
| Chicken - Frozen, Gizzards | 450 gm. | 3.50 | \$0.97 | Brazil |
| Chicken - Frozen, Legs Whole | 900 gm. | 10.00 | \$2.78 | Brazil |
| Chicken - Frozen, Nuggets | 270 gm. | 7.00 | \$1.94 | Denmark |
| Chicken - Frozen, Wings | 900 gm. | 9.00 | \$2.50 | Brazil |

SOURCE: ALEB - Qatar Market Basket

SHELF LIFE (EXPIRY PERIOD)

The expiry standards for poultry meats as set forth in GCC Standard No. 150/1993 is **12 months from date of slaughtering**, when packed in Plastic Containers. The Poultry products must arrive at the port of entry within a period not exceeding **4 months from the date of slaughtering**.

If there is any question concerning proper labeling requirements, exporters should contact the importer in Qatar prior to shipping to determine the exact requirements for shipments entering Qatar. The Qatar authorities provide pre-approval of labeling, but the Qatar importer should ideally follow through with this request, given the time and cost involved in attempting to obtain approval from Egypt.

CONSTRAINTS TO TRADE

All processed foods entering Qatar for the first time are required to be tested for food safety compliance issues. Subsequent shipments that have passed the initial inspections will not be subjected to additional testing until a period of 6 months has passed.

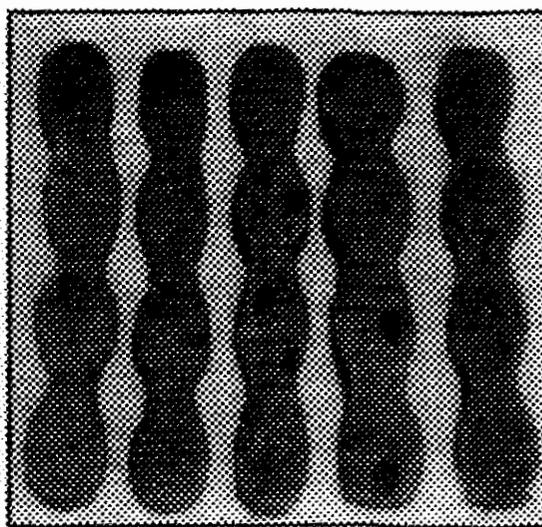
All meat and poultry products, or products containing any by-product that is meat related, will be required to obtain **Halal certification** prior to entrance into Qatar. Any product containing poultry or poultry by-products is required to pass a test for *salmonella*. If more than 20% of a product's samples contain *salmonella*, the product will be rejected, and must be shipped out of Qatar or be destroyed.

Any shipments that are rejected for food safety reasons may not be re-shipped to another GCC country.

Qatar municipal inspectors randomly inspect foodstuff product in the market place, to check labeling of products, and to collect samples for laboratory testing purposes. These laboratory tests are undertaken to ensure that all ingredients on the label are present in the product, and also to determine if any elements not stated on the label are present in the food sample. If the food product is found not to be in compliance with standards, it will be removed from the market place and destroyed at the importers expense.

OPPORTUNITIES

Qatar imported an estimated \$33,533,362 of poultry meat/chicken meat in 1998. Although Brazil captured the majority of this market, **value-added poultry products** like *Shish Taouk* from Americana (see photos below) still represent an opportunity for growth in Qatar's poultry market.



Specialty poultry meals (e.g. lasagnas, cordon bleu, Chicken Kiev) offer yet another point of entry into a market dominated by larger international companies. Given the more Western dietary habits of Qatari citizens and the expatriate workers in Qatar, convenience foods are a good selling point for value-added poultry meals.

Heat-and-Eat poultry-based meals serve as another market entry product that appears to have captured shelf space in Gulf supermarkets. The more mobile nature of many consumers in the Gulf has made time an important element, even for preparing meals. With more disposable income, these convenience foods are a quick and easy way to prepare meals, as opposed to the traditional method of cleaning and otherwise preparing a fresh chicken prior to cooking a meal for the family.

As with other cities in the Gulf, importers in Qatar (Doha) are looking for innovative products to fill their freezer cases. Supermarkets need new products to keep their customer base from drifting to other stores. A company with a new, unique product has a better chance of acquiring shelf space in a market than a company with the "same old products" that other companies market.

IV. SAUDI ARABIA - COUNTRY PROFILE

According to FAS/Gain report #SA9024 dated 28 November 1998, "Saudi Arabia is a \$5,000,000,000 market for food and agricultural products." The only problem is that the report doesn't distinguish between frozen potatoes and farm tractors. The good news is that this report identifies \$625,470,063 of opportunity for Egyptian exporters in ALEB's targeted food commodities.

The Kingdom of Saudi Arabia (KSA) has a population of over 21 million inhabitants, made up of Saudi nationals, approximately 50% of which are under 15 years old, (35% which are non-nationals), plus a revolving work force of expatriate workers estimated to be around 7 million in number. The Saudi Arabian population is growing at a rate of 3.4% annually, and is predicted to grow to approximately 40 million within the next 20 years. The current average per capita income is approximately \$6,600 per year, of which approximately \$1,880 is allocated for food purchases.

Roughly 4 million of the 7 million expatriates in the KSA are employed as oil industry workers, construction workers or workers in service-oriented jobs. This group of expatriate workers is comprised of several different Asian Sub Continent nations (India, Pakistan, Bangladesh, Sri Lanka), The Philippines, East Africa, British (30,000), and American (40,000) nationalities. It should be noted, that Saudi Arabian citizens are slowly assuming jobs previously filled by foreign workers.

The Kingdom of Saudi Arabia has the largest oil reserves in the world (26% of the proven reserves), which contributes to approximately 75% of budget revenues, 40% of the gross domestic product (GDP), and accounted for 90% of all export earnings (Agricultural exports amounted to approximately 5% in 1998).

The major population centers include Riyadh, the capital (Central Province), which has approximately 4 million residents. Jeddah (Western Province), the major port city, located on the Western Red Sea Coast, has the majority of the processed food companies in Saudi Arabia. The bulk of the food processing activity is located in 5 industrial parks: Al Damman - Al Khobar, and Dhahran (Eastern Province) on the Eastern Gulf of Arabian coast, located in the major oil production area of Saudi Arabia. Other cities such as Hail, Mecca, Medina, Al Jubayl, Jizan, Abha, and Tabuk make up the other population centers in the Kingdom.

Agricultural production is primarily centered on wheat, barley, tomatoes, melons, dates, citrus, poultry, eggs, dairy, and mutton production. Greenhouse production of vegetables is also a widespread industry supplying higher quality vegetables.

Due to the lack of arable agricultural lands, most of the foods consumed in the KSA are imported - approximately \$5 billion per year (1998). Given the projected increase in population in the next 20 years, there will continue to be an increasing opportunity for exports of processed foods to the KSA.

DISTRIBUTION CHANNELS

SUPERMARKETS & HYPERMARKETS

Supermarkets came to the KSA as a result of a demand for imported foods by expatriate workers in the KSA. Prior to the advent of the supermarket, most Saudi food purchases were made in small neighborhood stores (*bakalas*) or wholesale markets. The introduction of supermarkets into the retail sector did not replace the small local stores, as these stores are still frequented by women since they are not allowed to drive, and expatriate workers from developing countries that do not have access to automobiles.

Currently there are approximately 275 "A" and "B" class supermarkets in the KSA. Chains with as many as 32 stores are found in the KSA. Most of these chains purchase either by direct importation from manufacturers, or through producer's agents in the KSA. The practice of using consolidators is growing in the kingdom as a way to reduce cost and to eliminate the need to purchase full container loads of a single item.

The future should show a continuous trend toward expansion as the population expands over the next few years. The expected population growth will be primarily due to the expected rapid growth in population which will be brought on as the current population (60% over 16 years old) of younger Saudi's get married and start families.

Many of the larger chain stores were not in place a few years ago. By acquiring smaller chain stores as well as promising individual stores, these large chain stores have expanded rapidly. In this process, increased volume ordering enabled many of these stores to buy at discount prices and become even more competitive.

A large percentage of consumers that visit supermarkets are Western expatriates, and middle to upper-middle class Saudi nationals. A smaller percentage of the consumer base is comprised of Asian and other developing country expatriates that purchase food for themselves and in some cases for Saudi Arabian families for which they work. With this in mind, store buyers are very aware of the tendency of these "white collar" consumers to purchase new innovative products, even at a slightly higher price.

Consumers are more aware of ingredients and calorie/fat content in products than in the past. Food processors developing new products should bear in mind that using higher fat content ingredients might be detrimental to the potential for sales due to this new customer awareness.

Supermarkets range from the small local stores (*bakalas*) to the "hyper-market" style stores. Many of these larger supermarkets are fashioned after "Western" U.S. and European markets. These supermarkets offer the consumer a full range of foodstuffs, ranging from frozen, fresh, canned, and deli-style, ready-to-eat meals. In addition to foodstuffs many of the larger stores also sell clothing, household supplies, on-site baked goods, plus they contain concessions for florists, video shops, and other convenience outlets all located inside the market. These super/hypermarkets are usually the anchor store in a shopping center. Large parking areas are provided to accommodate the sizeable customer base.

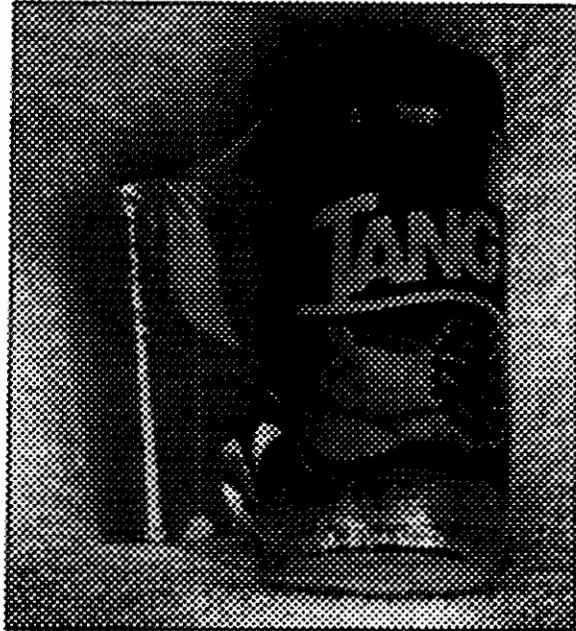
Supermarkets have become a family event, involving both mother and father along with the children. In the past, the father usually did most of the shopping on his way home from work. With 10% of the female population working, convenience is becoming more important to families. Some of the larger stores are providing "Play Areas" for younger children since these supermarkets are turning into family entertainment and shopping foreys.

Most of the supermarkets visited in April 2000 were extremely well stocked with international brands and local brands. Aisles of products containing pasta or frozen vegetables can be as long as 15 meters in some of the larger stores. A supermarket condiment section alone in one Riyadh supermarket contained over 27 different varieties of ketchup products.

Western style promotions were common in almost every store visited. "Buy One, Get One Free" offers were commonplace. Co-packing/promoting between two unrelated companies was also quite common in the KSA. Items like pasta noodles were often packaged with tomato sauce products or olive oils.

The photo to the right shows how even established products are not above enticing consumers with free offers. This type of co-packing is also becoming more common in Egypt's stores.

Advertising is very prevalent in the KSA; full-page ads are taken in the newspaper, and handed out as "flyers" at store entrances to promote special offers.



ONE CO-PACKAGING OPTION

Many times loss-leader products are offered at below cost to attract customers. In one instance, frozen poultry products that are nearing the expiry date (12 months) are offered by the processor to a chain of supermarkets to avoid a total loss. Expiry dates are closely monitored in every store by the Saudi government to ensure that only quality products are sold to consumers.

Since Western consultants designed many of these supermarkets, they reflect the ultra modern style of Western markets with wide aisles, professional lighting schemes, well-maintained product shelves, and very professionally managed staffs. American or British expatriates often manage a large percentage of these supermarkets.

It is important to remember that foreign expatriates tend to buy as many products from their own countries if they are available. Expatriates often manage many of the supermarket/hypermarket purchasing departments, also.

In the future, many of these supermarket management positions will be filled by Saudi managers due to the renewed demand for implementation of the "Saudi-ization program" which is targeting an employment increase of 5% per year of Saudi citizens in the private sector. This program also targets certain categories of jobs that will be set aside for Saudi citizens only.

The setting of these new supermarket environments is a good platform to present new products. Some supermarkets have new product tasting kiosks located throughout the store to entice customers into buying new products.

An interview with a purchasing department manager of a large Supermarket chain in the KSA revealed that they prefer to buy through Agents, as opposed to direct buying from processors. This arrangement is popular because the agent/importers handle most of the day-to-day problems associated with transportation, importation documentation, customs clearance, compliance with food safety requirements, and promotional activities, merchandising services, labeling requirements, recall logistics if required, stocking and inventory controls (expiry monitoring).



HYPERMARKET DELICATESSEN CASE OFFERING READY MADE SALADS, OLIVES, AND PROCESSED MEATS

By utilizing agents to purchase supplies for their stores, supermarket chain stores also reduce the need for specialized staffing for each of the above-mentioned issues.

WHOLESALE MARKETS

Wholesale markets sell approximately 30 to 40 percent of the total food purchases made in the KSA. Wholesale markets still command a large percentage of the market, but there is a trend to shop at supermarkets due to the wider variety of products and services available through in-store kiosks.

Many of these wholesale markets are usually quite large, often divided into sections which offer separate products like frozen vegetables, meats, dairy, canned goods, and dry goods. Wholesale markets offer individuals to assist with purchases in each department, as opposed to the "Self Help" style of new Supermarkets

A large portion of the purchases made in these wholesale markets are made by drivers of Saudi families or other expatriate household workers, since Saudi women are not yet allowed to drive in the kingdom.

Many wholesale importers service retail outlets, other wholesalers, and institutional customers. A large percentage of these importers act as sole agents for brand name goods such as poultry, tomato products, canned goods, pastas, and frozen vegetables.

BAKALAS

Bakalas are traditional neighborhood stores which sell products to meet basic household needs. These small stores are frequented by women, and expatriate workers since they are either not allowed to drive or do not have ready access to automobiles.

Even with the introduction of supermarkets these stores are steadily increasing due to the continuing urban growth. As neighborhoods become more sophisticated, supermarkets will gradually acquire more market share, but the need for the neighborhood *bakalas* will never be totally replaced due to their ease of access since they are often within walking distance of the customers' homes.

In the future, women may gain the right to drive automobiles in the KSA and the probable reduction of developing country expatriate workforces due to "Saudi-ization" may result in many of these *bakalas* losing their market edge to supermarkets.

Wholesalers traditionally supply *bakalas*, but a new form of this wholesale link is emerging which is taking market share due to promotional enticements. A large Bahraini company has begun to build these discount centers in the Riyadh area to supply the *bakalas*. The first store constructed in Riyadh contains over 2,000 square meters of sales area, with a second store planned containing 15,000 square meters.

These new "Super Wholesalers" are drawing business away from other wholesalers by offering discounts and rebates on large purchases. One store manager predicted that there would be "Sam's Club" or "Price Club" style stores for the consumer in the near future.

It is important that processors subscribe to food industry related magazines, so that they can keep abreast of changes in the Gulf market trends. Processors with up to date knowledge can take advantage of opportunities that arise.

MARKETING A PRODUCT(S)

Establishing customer contacts in Saudi Arabia is not as easy as making a sales call on the phone. Even personal visits to the KSA are not a sure avenue for success. A limited number of Saudi Arabian importers are willing to test market promising new products provided there is an agreement to allow the importer to "private label" the product if it proves to be successful.

PAYMENT METHODS

Private labeling is perhaps an easier path to take for entry into the market place, due to the importing company providing all necessary "shelving costs" and promotional/advertising costs. Most new products must basically purchase shelf space (called "slotting fees" or "green fees") when entering a new market.

In addition to the shelving costs that may be required, promotional support materials and advertising are common request from importers. With this in mind, a potential exporter must include any additional cost in quotes made on new products wishing to enter the Saudi Arabian market. Egyptian food processors need to budget for these costs as many foodstuffs importers will surely require these additional elements in the future.

There are several agents in the KSA that are sole agency representatives for certain brands of international foods. These international companies are considered to be some of the largest food companies in the world.

Importers use in-house local buyers in the KSA, but still rely upon agents to acquire their supplies of specific products sold only through exclusive agency agreements.

One complaint heard on several interviews with buyers was that many Egyptian processors would set up an exclusive agency agreement and then the agreement by contracting with another importer for the same product. **Once an exclusive agreement has been agreed upon, these agreements must be honored.** Careful investigation of any potential importers should be completed prior to signing any agreements to ensure that they are capable of fulfilling the contracts and representing your products to their fullest potential.

It is not unusual to find a company offering the same product under several different labels, which might appeal to diverse group of consumers. Private labeling is very attractive for this reason. When approaching a potential Saudi Arabian importer, this private label option should be considered.

Another method of entry might be through the offer of consolidation. Many companies are not willing to gamble on an entire container shipment of a particular new product until it has been test marketed in country. An offer to consolidate several different products or even arrangement of a co-operative shipping agreement with other food processors in the same container might be an attractive alternative to an importer.

Importers in the KSA traditionally expect extended credit payment options (30, 60, 90 or 120 day plans) and bulk discount offers. Volume discounts are also usually expected for larger orders or repetitive orders. It is important for exporters to understand these practices prior to offering their products for sale with quotes which might not take into consideration the extended payment times or the bulk discounts expected by importers.

As with other GCC countries, Saudi Arabian importers are looking for *price, innovative products, and packaging* whenever a new product or processor knocks on the door. An exporter must remember that this market is highly sophisticated and demands high quality from input ingredients on through to packaging.

It is important to remember that any product containing any form of alcohol, pork or pork derivatives will not be allowed into the kingdom. All meat, poultry products or food products containing meat or meat by products, must meet "Halal" slaughter certification standards.

There is also a restriction on the number of ingredients (25) that may be contained in one product.

COMPETITION

Food processors in the KSA are increasing production levels and are becoming more competitive from within their own borders. Increasing competition from the US, Europe, and the Far East also add to the continuous flow of new product coming into the KSA.

The Saudi Arabian government is protecting its own processing industry by providing financing and subsidies on selected equipment as well as imposing import tariffs on selected products (poultry meat, table eggs, infant foods based on milk, macaroni and similar products, etc.). Saudi Arabia and Oman have petitioned to become members of the World Trade Organization (WTO). Should Saudi Arabia become a fully vested member of the WTO, these trade barriers will be threatened.

Saudi Arabian processors depend heavily upon imported raw materials to supply their production requirements. This is one area where potential exporting processors can find a niche market to supply partially or fully processed ingredients to fulfill the requirements of these Saudi Arabian food processors.

Saudi Arabia has an overall advantage in the GCC community due to the advantage of duty free shipments within the Arabian Peninsula. This advantage has prompted several international companies to provide licensing agreements or joint venture production facilities with Saudi Arabian companies.

A few Saudi Arabian companies have made inquiries into strategic alliance opportunities in Egypt to take advantage of lower cost inputs and lower labor costs to produce treats that can be exported into the KSA, GCC countries, COMESA, and the EU.

Fast food type restaurants are going to become more prominent in the KSA in the future, mainly due to the increase of younger families, which will spring from the current sector of the kingdom's large teenage population (60%).

IMPORT REGULATIONS AND STANDARDS

All foodstuffs manufactured and imported into the KSA are regulated by the Saudi Arabian Standards Organization (SASO), which sets standards, and regulates testing procedures.

SASO has been the lead agency in the Gulf region to form and adopt a common set of rules and regulations (standardization & metrology) for all of the countries that are members of the Gulf Cooperation Council (GCC).

The standards, which are being developed and adopted, cover commodity definitions, products, measurements, testing methods, meteorological symbols & terminology, safety measures & environmental testing.

Although SASO sets the standards and testing procedures, acting more on an advisory level as opposed to an executive level, other agencies do the physical testing and monitoring procedures. The Saudi Ministry of Commerce Laboratories at all ports of entry performs testing of packaged foodstuffs. The Saudi Ministry of Health Environment Control Department tests foodstuffs at the point of sale for product safety standards.

SASO standards are taken mainly from CODEX Alimentarius regulations, but have also taken elements of US and European foodstuff regulation agency guidelines. These standards and testing procedures are all product-specific and can be obtained through the SASO office in Riyadh, Jeddah, or to a limited extent in the ALEB Library in Cairo. It is advisable for all food processors to obtain copies of their specific products requirements prior to shipping any foodstuffs to any GCC countries.

Should a product not meet the required standards, an importer has an option to appeal the decision, at which time the importer will be required to either hold the shipment in an approved facility (cool storage) until the product can be retested, return the product to the manufacturer, or have the shipment destroyed. Most perishable products like fresh or chilled foodstuffs will be cleared within 24 hours. All other containers of foodstuffs should clear customs within 10 days, provided that all required documents are presented upon arrival at the port of entry.

The Ministry of Health inspects products including herbal preparations, health & supplementary foods; this procedure is lengthier than traditional foodstuffs. Herbal preparations and supplementary foods must be registered with the General Directorate of Medical & Pharmaceutical Licenses of the Saudi Ministry of Health. This procedure costs approximately \$300 and under normal conditions, takes approximately 6 to 7 months for approval.

LABELING (GULF STANDARD NO. 9/1995)

Labeling standards are very strict in all GCC countries. All labeling standards are set forth in the Gulf Standards (9/1995), consisting of approximately 10 pages, which was basically prepared by the State of Kuwait.

- All labels of prepackaged foodstuffs and attached labels must be in Arabic. When the ingredients are printed in any language other than Arabic, the attached label must clearly state all of the ingredients in Arabic.
- A limitation to 25 ingredients for each product is strictly enforced.

All labels must contain the following minimum of information.

- Product Name
- Name and Address of the Packer, Importer, Manufacturer, Distributor, Exporter or Vendor
- Country of Origin or Manufacture
- List of ingredients, descending order of proportion, from highest content to least.
- Shelf Life (Saudi Standard -- No: 700/1995) must be shown clearly giving Expiry Date (DD/MM/YY), Use By date, Fit For (from the date of production) Use Before (Date) & Sell By (Date) - Date of production is the 1st day of the month shown and the Expiry date being the last day of the month.
- Instructions for preparation if applicable

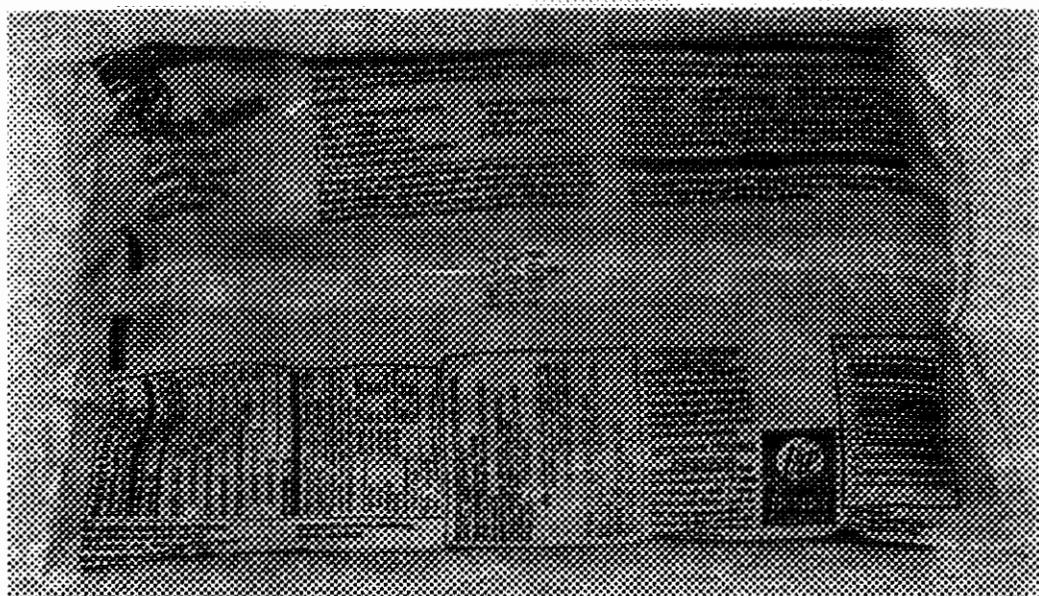


EXCELLENT EXAMPLE OF PREPARATION INSTRUCTIONS ON REVERSE SIDE OF PACKAGE

- If a product contains animal fats, meat, meat derivatives, excretions such as gelatin & rennet, the type of animal from which they were taken will be declared on the label that they are legally permitted under Islamic Law.
- The name of the foodstuff must be specific, not generic. It is forbidden to use names or phrases provocative to the Islamic religion. Terms such as "made from Pork or its derivatives," "Alcoholic Beverages" or any doctrinally forbidden symbols and marks such as the sign of the cross should not be used.
- List of all preservatives, additives or coloring agents used in manufacture
- Over prints, erasable printing or stamping of any information is not permitted. Ink-Jet expiry dates are allowable on existing labels if printed by manufacturer; this is usually done on caps or at the bottom of flexible packaging if it does not obliterate ingredients information.
- All labeling must be legible.
- All labels must not cover any existing label information printed by the manufacturer. Only one label may be used to comply with the Arabic language requirements.
- All labeling must not be reactive with contents of packages.
- Products with No Expiry dates such as milled rice, salt, and spices need only be labeled with the date of production (DD/MM/YY) to comply with the Expiry Date requirements.
- Additional labeling requirements for food additives (**Saudi Standards 951/1995-578/1994-577/1994**), anti-oxidants, food colorings, flavors, preservatives, emulsifiers, stabilizers, thickeners, and sweeteners, are also required under the **GCC 9/1995** regulations. Due to the lengthy nature of these requirements, this document will not go into detail. Copies of these requirements are available from SASO and to a limited extent the ALEB offices in Cairo.

REQUIREMENTS SPECIFIC TO NUTRITIONAL LABELING

The labeling requirements for nutritional content supplement the standard general labeling requirements as stated in the *GS 9/1995* publication, which is available through SASO, Riyadh or the ALEB Library in Cairo, Egypt.



NOTE: NUTRITIONAL INFORMATION WITH OTHER REQUIRED DATA ON LABEL.

PACKAGING & CONTAINER REQUIREMENTS

Saudi Arabian standards for packaging and containers (*SSA: 1149/1997*) *Food Packages – Part 1 – General Requirements*, specifically state the requirements for all food packages entering the KSA.

The following list of requirements represent the main focus of the above-cited standards:

- All materials used in food packaging including treatments (coatings) must be manufactured with food grade quality materials as per the above-cited regulations.
- All packages will be clean and manufactured in such a manner that will not allow intrusion of foreign contaminants into the food product.
- The packaging materials should be of such construction that prevents the package from gaining undesirable odors, flavors, or taste.
- The package should prevent contamination by microorganisms, insects, rodents, and dirt should the product require it.
- The packaging should prevent moisture contamination of the foodstuff.
- Packaging should protect against environmental effects such as impacts, vibrations, static stresses, and should maintain an intact appearance during handling operations.
- Packaging should not allow the contents to come into contact with the packaging material to prevent any reaction with the food products.
- Food packaging materials should not resemble pharmaceutical shapes

Plastic packaging is regulated by Saudi Standards (SASO 1301/1997), which also specify labeling information for packaged foodstuffs. The following information must be stated on all plastic packaging.

- Type of plastic material
- Weight, capacity, number, or dimensions based on the type of package
- Statement of food grade
- Purpose and type of application
- Directions for usage
- Warnings if applicable.

FOOD ADDITIVE REGULATIONS

There are several different regulations that pertain to food additives, all of which can be found in GCC or Saudi Arabian (SASO) publications. Some of these regulations are available in the AFAC center in the ALEB Library in Cairo, Egypt.

PESTICIDE & CONTAMINANT RESIDUE REQUIREMENTS

Pesticide and contaminant levels in foodstuffs are strictly regulated under one of the following publications, which were adapted from CODEX standards.

- GCC Standard No. 382/1994 - *"Maximum Limits For Pesticides In Agricultural Food Products - Part 1"*
- GCC Standard No. 422/1994 - *"Maximum Limits For Pesticides In Agricultural Food Products - Part 2"*
- GCC Standard No. 357/1994 - *"Antioxidants Permitted For Use In Foodstuffs"*
- GCC Standard No. 841/1997 - *Regulates maximum limits of aflatoxins permitted in foodstuffs*
- GCC Standard No. 988/1998 - *Regulates limits of radioactivity permitted in foodstuffs*

CERTIFICATION AND DOCUMENTATION REQUIREMENTS

The following documentation is required for all imported foodstuffs into the KSA. When certification is required for Halal, Health Certificates, Commercial Invoice, and Certificate of Origin, the processor can obtain the appropriate certification thru the Saudi Arabian Embassy or Consulate in the country of manufacture. In the event a Saudi Arabian Embassy or Consulate is not available, the embassies or consulates of a friendly Arab country can attest to the authenticity of these documents.

- Commercial Invoice
- Health Certificate from the Country of Origin (Manufacture)
- Halal Slaughter Certificate for all meat and meat products
- Certificate of Origin
- Bill of Lading
- Packing List

1. **HALAL CERTIFICATION:** Any meat or meat products being exporting in the KSA, must comply with Saudi Arabian Standard No. **SSA 530/1990** (Animal

Slaughtering Requirements According To Islamic Law) which is satisfied by obtaining a Certificate of Islamic Slaughter.

2. **BABY FOOD:** Baby foods are regulated under two separate standards
 - Canned Baby Food – SSA 675/1992
 - Baby Food Based On Milk – SSA 675/1994
3. **FROZEN CHICKENS:** All frozen poultry must comply with SSA 117/1979 which regulates the Halal slaughter of poultry products and salmonella limits for poultry products.
4. **BEEF PRODUCTS:** Any beef products containing meat, which was obtained from herds grown in countries known to have Bovine Spongiform Encephalopathy (BSE) or "Mad Cow Disease" is not exportable to the KSA.

CUSTOMS AND INSPECTION REQUIREMENTS

Saudi Arabia imposes a base 12% import duty on all food (vegetables from Egypt are exempt from duty fees) and agricultural products entering the country. Currently an import duty reduction plan is in place to decrease the duties of Egyptian foodstuffs imports by 10% of the 12% base import duty each year until the duties are totally removed – i.e. the level reaches 0%.

Some products may enter Saudi Arabia duty free because of the limited ability of agricultural potential; these include these items targeted by the ALEB project:

- Cardamoms (HS Code 098.30.00)
- Infant food based on milk or milk prepared as a substitute for mother's milk, not containing cocoa (HS Code 1901.10.10). It is not clear if baby foods manufactured from rice is included in this exemption – clarification not available at the time of this report.
- Frozen Vegetables

TRADE BARRIERS

The KSA has also imposed an imposition of a 20% import duty on the following products that are in the target product group identified by ALEB. This import duty has been put into place when they directly compete with local production of Saudi processors.

- Meat and Offal of Poultry (HS Code 0207.10.00 – 0207.50.00). The Ad Valorem Duty Rate is 20% minimum duty of US \$0.27 per Kg.).
- Tahina (Sesame Concentrate) -- (HS Code 1302.19.30)
- Infant Food based on milk or milk prepared as a substitute for mother's milk, containing less than 10%, by weight of cocoa (HS Code 1901.10.20)
- Macaroni & similar products such as spaghetti and pasta (HS Code 1902.11.10)
- Natural Mineral Waters & Ordinary Natural Waters (HS Code 2201.10.10 – 2201.90.10)

An additional 100% duty has been imposed on the following products:

- Dates, Fresh or Dried (HS Code 0804.10.10-0804.10.90)

TRANSPORTATION

Saudi Arabia's transportation outlets take the form of roadways (69,000-plus kilometers, paved), rail lines (1,390 kilometers), 12 ports, 70-plus merchant marine fleet of ships and 70 freight-capacity airports.

Most imported, containerized foodstuffs arrive through either the Red Sea, Islamic Port of Jeddah, which handles approximately 65% to 70% of all imports, with the remaining sea shipments clearing through the Port of Dammam on Saudi Arabia's Eastern Coast.

It should be noted that the Kingdom of Saudi Arabia has been planning to implement tolls for all of its highways in the near future. When this new road tax takes effect, higher transportation costs will be forthcoming.

FREIGHT COSTS

A couple of importers complained that it was more cost effective to import foods from Italy for approximately \$1,200 per container (20 foot) than it was from Egypt at \$2,400 for the same container - based on shipping quotes they had received. Transportation costs can be a deal breaker, even if the product cost is lower. For this reason, it is highly advisable for all exporters to "shop around" for the best freight rates.

The table below reflects quotes from four different Cairo-based freight agents. Notice the fluctuating prices for freight to Saudi Arabia - Jeddah and Riyadh - from Egypt. The rates given are probably negotiable once a regular shipping schedule has been established. These prices are not guaranteed and in some cases may be reduced given an advance notice of 10 or more days prior to shipment departure. Rates also tend to vary with seasons and availability of containers and trucks. From this listing of freight rates, it is clear that obtaining several quotes prior to deciding on a particular carrier or freight agent is cost-effective when exporting to the Gulf and elsewhere.

FREIGHT ESTIMATES FROM CAIRO TO SAUDI ARABIA - JULY 2000

| Egypt to... | Container Small - Dry | Container Large - Dry | Container Small-Refrig. | Container Large-Refrig. | Truck Dry | Truck Refrig. |
|---------------------------|-----------------------|-----------------------|-------------------------|-------------------------|--|--|
| SAUDI ARABIA-Jeddah (1) | US\$350 | US\$700 | Not available | US\$1,700 | US\$1,900 | US\$2,000 |
| SAUDI ARABIA - Jeddah (2) | US\$450 | US\$700 | US\$1,600 | US\$2,550 | SR1,750 (US\$494.35; Rate: 3.54) | SR7,000 (US\$1,977.40; Rate: 3.54) |
| SAUDI ARABIA-Jeddah (3) | US\$450 | US\$800 | Not available | US\$1,850 | US\$2,000 | US\$2,600 |
| SAUDI ARABIA-Jeddah (4) | US\$700 | US\$1,000 | US\$1,300 | US\$2,000 | US\$2,800 | US\$4,000 |

| Egypt to... | Container Small - Dry | Container Large -- Dry | Container Small- Refrig. | Container Large- Refrig. | Truck Dry | Truck Refrig. |
|---------------------------|-----------------------|------------------------|--------------------------|--------------------------|----------------------------------|------------------------------------|
| SAUDI ARABIA - Riyadh (1) | Not available | Not available | Not available | Not available | US\$2,600 | US\$4,000 |
| SAUDI ARABIA - Riyadh (2) | US\$600 | US\$1,100 | Not available | Not available | SR1,800 (US\$508.47; Rate: 3.54) | SR7,000 (US\$1,977.40; Rate: 3.54) |
| SAUDI ARABIA - Riyadh (3) | US\$800 | US\$1,250 | Not available | Not available | US\$1,900 | US\$2,000 |
| SAUDI ARABIA - Riyadh (4) | US\$1,100 | US\$1,450 | Not available | Not available | US\$2,100 | US\$3,000 |

According to Favia International Transport-Cairo, any refrigerated trucks traveling from Egypt to any destination within Saudi Arabia are stopped at the Saudi-Jordanian border. The products in these trucks must be unloaded and reloaded into Saudi Arabian licensed refrigerated trucks. The Saudi Arabian government does not allow foreign refrigerated trucks to deliver products within Saudi Arabia. Refrigerated trucks from Egypt can, however, travel through Saudi Arabia in transit to other countries (without having to unload and reload onto other trucks).

All standards for transportation and storage of chilled and frozen foods are outlined in Saudi Standard No. 626/1994.

FREIGHT HANDLING SUGGESTIONS

Due to the potential for claims caused by temperature damage to frozen or chilled products in transit, the Egyptian exporter should *place a temperature-recording device in each shipment to indicate transit condition. To preserve the quality of the shipment, the exporter should also ensure a completely chilled shipping container or overland truck trailer before loading any shipment from Egypt destined for the Gulf.*

It is important to provide the required documentation for all shipment, in order to avoid delays in Saudi Arabian ports. The following items must accompany the shipment while in transit.

- Commercial Invoice (Original)
- Health Certificate (issued by Egyptian Health Authorities)
- Certificate of Origin (Country of Origin)
- Bill of Lading
- Packing List

An exporter should send copies of all of these documents to the importer to facilitate banking procedures as well as to provide backup *certificates* should documentation be lost during shipment. Packaging and labeling requirements must also be met on all shipments. If the proper procedure is not followed, shipments will be rejected at the port of entry.

In addition, testing of shipments for food standards will be performed at the port of entry to check for allowable limits of contaminants and food additive restrictions. The list of allowable limits from the Saudi Arabian Standards Organization (SASO) is available in the ARAC/Library located in ALEB's Cairo offices.

EXPORT OPPORTUNITIES

With Saudi Arabia adopting more westernized eating habits, the demand for more convenience foods will continue to grow in the future. An increase in younger families will make greater demands on the market to supply "meats ready to eat."

Those food categories expecting growth include: Frozen vegetables, prepared fruits and vegetables, soft drinks/fruit juices, snack foods, candies, cereals, bakery products, jams and jellies, salad dressings, sauces, condiments, nuts/seeds, soups and soup mixes, poultry parts, deserts, gravies, meats, ethnic foods, non-alcoholic beer, honey, dried beans and dietetic/health foods.

As mentioned above, the potential for dietetic and health foods is becoming more prominent due to increased consumer awareness of the benefits of a more healthy life style. Two health problems common in the Gulf States are: 1) diabetes, a widespread problem; and 2) an increasingly overweight population. These diseases present a good opportunity for exports of dietetic and health foods (those without refined sugar), which target these specific health concerns.

NOTE: Due to the ongoing project to update import requirements, it is advisable to contact SASO or the importer in Saudi Arabia to determine whether new requirements have been implemented on a specific processed food, before sending a shipment.

COMMODITY SUMMARY

POULTRY -- MEAT & WHOLE FROZEN CHICKENS - COMBINED

Saudi Arabia imported an impressive US\$336,576,271 in "Frozen Whole Chickens (Poultry)" in 1998, representing an increase of US\$25,429,379 over 1997 imports.

Based on Jeddah Chamber of Commerce/Ministry of Finance data, in 1998, Brazil dominated the poultry market in Saudi Arabia acquiring a 60% share of the import market (US\$205,801,894). France and the People's Republic of China rank as the second and third largest poultry importers to Saudi Arabia. This same data indicate no poultry imports from Egypt for 1997 or 1998.

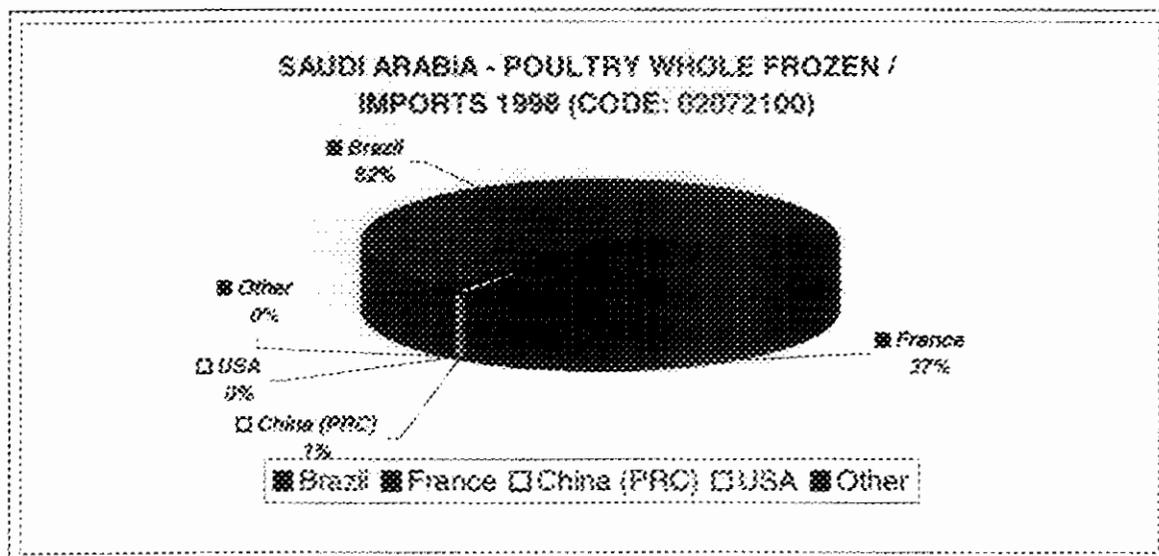
Saudi Arabia is the largest poultry producer in the Gulf, with an estimated 454,000 metric tons produced -- out of an estimated 500,000 metric ton capacity -- in 1998.

SAUDI ARABIA CODE INDEX

(Frozen Poultry Only)

| OPPORTUNITY COMMODITIES | Jeddah Chamber of Commerce (JETNET/Ministry of Finance EXACT COMMODITY TITLE | Jeddah Chamber of Commerce (JETNET/Ministry of Finance CODE NUMBER |
|-------------------------|--|--|
| Poultry, Frozen | Whole Frozen Chickens | 02072100 |
| Poultry, Parts | Chickens (for Meat) More than 185 Grams | 01059120 |

SAUDI ARABIA -- POULTRY



SOURCE: JEDDAH CHAMBER OF COMMERCE

| SAUDI ARABIA - POULTRY WHOLE FROZEN / IMPORTS 1998 (CODE: 02072100) | | | | |
|---|--------------|---------------|------------------|--------|
| COUNTRY | WEIGHT (Kg.) | VALUE (SR) | VALUE (USD) | S/Kg. |
| Brazil | 153,173,000 | 728,538,000 | \$205,801,694.92 | \$1.34 |
| France | 93,606,000 | 441,996,000 | \$124,857,527.12 | \$1.33 |
| China (PRC) | 2,140,000 | 13,228,000 | \$3,736,723.16 | \$1.75 |
| USA | 722,950 | 3,295,000 | \$930,790.96 | \$1.29 |
| Other | 883,620 | 4,423,000 | \$1,249,435.03 | \$1.41 |
| Total - 1998: | 250,525,570 | 1,191,480,000 | \$336,576,271.19 | \$1.34 |
| Total - 1997: | 198,056,000 | 1,101,460,000 | \$311,146,892.66 | \$1.57 |

MARKET ANALYSIS

The Kingdom of Saudi Arabia experienced an approximate 9% increase in poultry imports between 1997 and 1998. It is reported by trade sources that this increase was due to higher consumption as a result of decreased poultry prices in the Kingdom.

Saudi Arabia is the largest producer of poultry in the Gulf States, producing approximately 454,000 metric tons (98% broiler chickens) in 1999. Saudi Arabia has the production capacity of up to 600,000 metric tons per year at the present time. In addition to imports, Saudi Arabia exported approximately 20,000 metric tons of frozen broiler meats in 1998.

As evidenced by the tables and charts above, Brazil was the largest poultry exporter (60%) of whole birds (frozen) \$205,801,694.92 into Saudi Arabia in 1998. With over 153,173,000 kilograms imported into the country, the cost per kilogram averaged approximately \$1.34. As of June 2000, a Kuwaiti processor and importer reported prices of \$900 (CNF) per ton on Brazilian poultry, however this rate has not been confirmed for the Kingdom of Saudi Arabia at the time of this report.

France ranks second in importation of poultry into Saudi Arabia, which amounts to approximately 37% of the total imports. French and locally produced poultry is not as well received by food service vendors in the kingdom, due to higher fat and water content, which is usually not as prevalent in Brazilian poultry. Many food vendors utilize rotating spits and rotisserie cooking devices that do not react favorably to higher fat and water content, resulting in reduced cooked weight and an unattractive wrinkled appearance.

Poultry producers in the Kingdom are expected to increase production in the near future (by 2% in 2001), due to the construction of new broiler growing facilities. Interviews with Gulf importers revealed that poultry producers in Saudi Arabia are planning to target Egypt in the future for poultry exports, after the relaxation of Egyptian import restrictions which are scheduled for compliance with international trade agreements in the future.

Poultry producers in Saudi Arabia are subsidized 30% by the Saudi government for the cost of new imported equipment to help offset the higher levels of competition. The government is also reported to be subsidizing the poultry growers in the Kingdom to levels of \$0.50 per kilogram.

Even with the added assistance of government subsidies, much of the poultry produced in Saudi Arabia is still not competitive with imported poultry, which in effect leaves local producers no other option other than to export a portion of their production (20%) to other Gulf Cooperation Council (GCC) and Arab League countries. Data from the U.N. Food and Agriculture Organization (FAO) indicate that Saudi Arabia exported 24,000 Metric tons (\$46,000,000) of chicken meats in 1998.

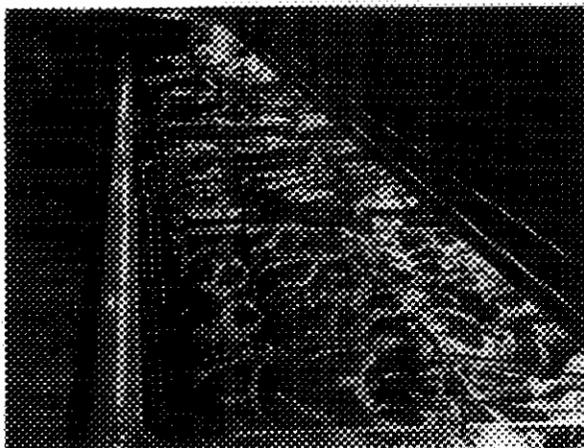
In some cases, poultry producers in Saudi Arabia will face stiff competition from foreign imports and find their product difficult to market before the expiry date. There have been instances in the past where a large quantity of the poultry produced in Saudi Arabia had to be sold for up to as much as one-half the normal price before it reached expiry (12 months). It is common for some large producers to offer these birds at a reduced price to stores for use as loss leaders for promotional purposes rather than totally lose their production.

It is difficult to export poultry that is nearing its expiry date outside of Saudi Arabia, primarily due to the restrictions imposed by some countries that do not allow meat products entry into their markets if the date of slaughter is more than 4 months from the date of entry into the port.

With this expiry issue being so important, it is advisable to ship only the most recently processed products to ensure higher market price and to comply with import requirements. By law, Saudi importers will also not accept poultry that has a reduced shelf life of more than 4 months, due to the potential for loss.

Consumption of poultry in Saudi Arabia is estimated at approximately 33 kilograms per person for a population of 21 million people. This 33-kilogram consumption rate is up from the 1979 consumption rate of approximately 16.5 Kg. per person.

The best selling size of frozen whole birds in Saudi Arabia is in the 1,000 Gram weight (SR. 76.00 per case of 10) to 1,100 Gram weight (SR. 83.00 per case of 10) range for typical consumers. Food service consumers prefer birds in the 900 Gram (SR. 68.00 per case of 10) to 1,000 Gram (SR. 76.00 per case of 10) range, primarily due to the practice of selling half or quarter portions. This practice makes the lower weight bird more popular due to the lower cost. It is important to note that Brazilian frozen broilers are shipped without the offal, which is usually sold separately.



Imports have increased over 1997 by as much as 16,000 metric tons per year, from 198,000 metric tons in 1997 to 250,000 metric tons in 1998. This increase in imports can be clearly attributed to increased consumption per capita and to a preference for imported poultry with a lower water and fat content than what is locally produced.

The CIF price of Brazilian and French poultry was approximately \$1,200 (Brazil) to \$1,180 (France) per metric ton in 1999 compared to the same

prices in 1998 ranging from \$1,275 (Brazil) to \$1,260 (French) landed in Jeddah, Saudi Arabia. As previously stated, prices for Brazilian poultry landed in Kuwait have been reported at \$900 per metric ton (CIF) as of June 2000.

**FREEZER CASE DISPLAYING WHOLE CHICKENS
- 10 METERS LONG**

The following market basket surveys are averages from both Riyadh and Jeddah to indicate the price comparisons between two different markets in Saudi Arabia:

SAUDI ARABIA (JEDDAH) MARKET BASKET SURVEY - APRIL 2000

| Products | Size | Price (S.R.) | Price (US\$) Rate: 3.54 | Country of Origin |
|---------------------------------------|--------------------|--------------|----------------------------|-------------------|
| Chicken Lasagne | 650 gm | 18.75 | \$5.30 | Brazil |
| Chicken-Fresh, Whole | 1000 gm | 11.00 | \$3.11 | Saudi Arabia |
| Chicken-Fresh, Whole | 1100 gm | 13.00 | \$3.39 | Saudi Arabia |
| Chicken-Fresh, Whole | 1100 gm | 13.50 | \$3.81 | Saudi Arabia |
| Chicken-Fresh, Whole | 1200 gm | 11.00 | \$3.11 | Saudi Arabia |
| Chicken-Frozen, Breasts (Breaded) | 500 gm | 12.00 | \$3.39 | Brazil |
| Chicken-Frozen, Breasts-Filleted | 500 gm | 14.10 | \$3.98 | Saudi Arabia |
| Chicken-Frozen, Breast-Tenderloins | 200 gm | 6.50 | \$1.84 | Saudi Arabia |
| Chicken-Frozen, Burgers | 1344 gm./24 pak | 23.00 | \$6.50 | Brazil |
| Chicken-Frozen, Burgers | 1344 gm./24 pak | 24.00 | \$6.78 | Saudi Arabia |
| Chicken-Frozen, Burgers | 1344 gm./24 pak | 27.20 | \$7.68 | Belgium |
| Chicken-Frozen, Burgers | 678 gm | 15.75 | \$4.45 | Kuwait |
| Chicken-Frozen, Drumsticks | 500 gm | 7.95 | \$2.25 | Saudi Arabia |
| Chicken-Frozen, Drumsticks | 900 gm | 7.95 | \$2.25 | Brazil |
| Chicken-Frozen, Drumsticks | 907 gm | 9.25 | \$2.61 | U.S.A. |
| Chicken-Frozen, Franks | 400 gm | 8.25 | \$2.33 | Belgium |
| Chicken-Frozen, Gizzards | 450 gm | 3.74 | \$1.06 | Brazil |
| Chicken-Frozen, Lemon & Pepper | 375 gm | 9.50 | \$2.68 | Saudi Arabia |

| Products | Size | Price (S.R.) | Price (US\$) Rate: 3.54 | Country of Origin |
|--------------------------------------|---------|--------------|----------------------------|-------------------|
| Chicken-Frozen, Meat Balls | 375 gm. | 6.60 | \$1.86 | Saudi Arabia |
| Chicken-Frozen, Meat Balls | 405 gm. | 9.80 | \$2.77 | Saudi Arabia |
| Chicken-Frozen, Meat Balls | 900 gm. | 9.75 | \$2.75 | Brazil |
| Chicken-Frozen, Nuggets | 270 gm. | 7.50 | \$2.12 | Kuwait |
| Chicken-Frozen, Nuggets | 400 gm. | 11.00 | \$3.11 | South Africa |
| Chicken-Frozen, Nuggets | 450 gm. | 12.00 | \$3.39 | Saudi Arabia |
| Chicken-Frozen, Nuggets (Garlic) | 500 gm. | 11.25 | \$3.18 | Saudi Arabia |
| Chicken-Frozen, Nuggets (Hot) | 270 gm. | 7.50 | \$2.12 | Kuwait |
| Chicken-Frozen, Nuggets (Kid Shapes) | 270 gm. | 8.50 | \$2.40 | Kuwait |
| Chicken-Frozen, Thighs | 900 gm. | 8.75 | \$2.47 | Brazil |
| Chicken-Frozen, Wings | 900 gm. | 6.50 | \$1.84 | Brazil |

SOURCE: ALEB - Saudi Arabia Market Basket Surveys, April 2000.

SAUDI ARABIA (RIYADH) MARKET BASKET SURVEY -- APRIL 2000

| Products | Size | Price (S.R.) | Price (US\$) Rate: 3.54 | Country of Origin |
|-----------------------|----------------|--------------|----------------------------|-------------------|
| Chicken - Burgers | 4 pc. /200 gm. | 5.50 | \$1.55 | U.A.E. |
| Chicken - Burgers | 8 pc. /400 gm. | 8.50 | \$2.40 | Brazil |
| Chicken - Drumsticks | 907 gm. | 7.95 | \$2.25 | France |
| Chicken - w/ Gizzards | 1100 gm. | 6.50 | \$1.84 | Brazil |
| Chicken - w/ Gizzards | 1200 gm. | 6.95 | \$1.96 | Brazil |
| Chicken-Boneless | 800 gm. | 9.95 | \$2.81 | Saudi Arabia |
| Chicken-Boneless | 900 gm. | 11.00 | \$3.11 | Saudi Arabia |
| Chicken-Boneless | 1000 gm. | 9.75 | \$2.75 | Brazil |
| Chicken-Boneless | 1050 gm. | 10.25 | \$2.90 | Brazil |
| Chicken-Boneless | 1100 gm. | 12.95 | \$3.66 | Saudi Arabia |

| Products | Size | Price (S.R.) | Price (US\$) Rate: 3.54 | Country of Origin |
|--------------------------|------------------------|--------------|----------------------------|-------------------|
| Chicken-Boneless | 1200 gm. | 14.25 | \$4.03 | Saudi Arabia |
| Chicken-Frozen, Whole | 1000 gm. | 6.95 | \$1.96 | France |
| Chicken-Frozen, Whole | 1000 gm. | 9.25 | \$2.61 | Saudi Arabia |
| Chicken-Frozen, Whole | 1000gm./Case of 10 | 76.00 | \$21.47 | Saudi Arabia |
| Chicken-Frozen, Whole | 1000gm./Case of 11 | 53.00 | \$14.97 | Saudi Arabia |
| Chicken-Frozen, Whole | 1100 gm. | 7.75 | \$2.19 | France |
| Chicken-Frozen, Whole | 1100 gm. | 10.00 | \$2.82 | Saudi Arabia |
| Chicken-Frozen, Whole | 1100 gm./Case of 10 | 61.00 | \$17.23 | France |
| Chicken-Frozen, Whole | 1100 gm./Case of 10 | 83.00 | \$23.45 | Saudi Arabia |
| Chicken-Frozen, Whole | 1200 gm. | 5.25 | \$1.48 | France |
| Chicken-Frozen, Whole | 1200 gm. | 11.50 | \$3.25 | Saudi Arabia |
| Chicken-Frozen, Whole | 1200 gm./Case of 10 | 91.00 | \$25.71 | Saudi Arabia |
| Chicken-Frozen, Whole | 1300 gm. | 8.95 | \$2.53 | France |
| Chicken-Frozen, Whole | 1300 gm. | 12.50 | \$3.53 | Saudi Arabia |
| Chicken-Frozen, Whole | 1300 gm./Case of 10 | 99.00 | \$27.97 | Saudi Arabia |
| Chicken-Frozen, Whole | 1400 gm. | 8.75 | \$2.47 | France |
| Chicken-Frozen, Whole | 600 gm. | 5.25 | \$1.48 | Saudi Arabia |
| Chicken-Frozen, Whole | 600 gm./Case of 10 | 40.43 | \$11.42 | Saudi Arabia |
| Chicken-Frozen, Whole | 700 gm. | 6.25 | \$1.77 | Saudi Arabia |
| Chicken-Frozen, Whole | 700 gm./Case of 10 | 48.00 | \$13.56 | Saudi Arabia |
| Chicken-Frozen, Whole | 800 gm. | 6.75 | \$1.91 | Saudi Arabia |
| Chicken-Frozen, Whole | 800 gm./Case of 10 | 55.00 | \$15.54 | Saudi Arabia |
| Chicken-Frozen, Whole | 900 gm. | 6.25 | \$1.77 | France |
| Chicken-Frozen, Whole | 900 gm. | 8.50 | \$2.40 | Saudi Arabia |

| Products | Size | Price (S.R.) | Price (US\$) Rate: 3.54 | Country of Origin |
|--------------------------|-----------------------|--------------|----------------------------|-------------------|
| Chicken-Frozen, Whole | 900 gm./Case of 10 | 50.00 | \$14.12 | France |
| Chicken-Frozen, Whole | 900 gm./Case of 10 | 68.00 | \$19.21 | Saudi Arabia |

SOURCE: ALEB - Saudi Arabia Market Basket Surveys, April 2000.

It is interesting to note the difference in prices of frozen whole chicken between Saudi Arabia and France for example.

| COUNTRY OF EXPORT | SIZE | PRICE \$US |
|-------------------|------------|------------|
| Saudi Arabia | 1,000 gram | \$2.61 |
| France | 1,000 gram | \$1.96 |
| Saudi Arabia | 1,100 gram | \$2.82 |
| France | 1,100 gram | \$2.19 |

Not only is the Saudi domestic product higher in cost, it is also not favored by the commercial kitchens due to the higher fat and water content which impairs the quality of the cooked chicken.

Advertising has heavily influenced the sale of one particular brand of French poultry to the point that it has cornered approximately 65% of the household market. The marketing campaigns of some of these companies are wide spread and keep the brand names in the presence of consumers on a daily basis.

Although Saudi Arabia imported approximately \$336,576,271 of Whole Frozen Chicken in 1998, it is important to note that Saudi Arabia also exported almost \$36,427,606 of its domestic production to GCC, Arab League, East African countries like Uganda, Kenya, Tanzania and some Central Asian countries. The main reason for the exports was that the poultry from Saudi Arabia is traditionally higher in price than the cheaper imports.

FRYER PARTS

Fryer parts are used primarily by institutional or catering services to feed expatriate workers in Saudi Arabia. Most of the foreign workers in Saudi Arabia are from South East Asia, Philippines or the Sub Continent of Asia, whose diets traditionally include poultry.

Importers traditionally import "White Skinned" (leg quarters) fryer parts, which are packed in 15 Kg. boxes, with each individual piece weighing approximately 250-300 grams.

Saudi importers are quoting prices in the \$580 to \$600 per metric ton range for



poultry parts; this price is reported down from \$950-\$1,000 per metric ton 3 to 6 months ago. The U.S. has been a traditional supplier of fryer parts in the past, but there has been a significant increase in fryer parts from the Netherlands, which ship in 10 Kg. boxes.

The US producers are losing market share, mainly due to the termination of the Export Enhancement Program and competition from Brazil and France.

- **Drumsticks:** Most importers order boxes containing "12/2" or 12 trays of 2 pounds each. Smaller drumsticks, usually from Brazil, fair better in the market place, mainly due to the advantage of the smaller sizes in comparison to the US products. Most importers request "White Meat" when ordering Fryer parts.
- **Chicken Breasts:** China (PRC) is the largest supplier of boneless/skinless chicken breasts into Saudi Arabia, mainly due to price advantages. Reports on price have been quoted around \$1,500 Mt. (CF). The quality of these poultry products is usually not on par with US produced poultry according to one importer.

Imported poultry products into Saudi Arabia require **Halal certification** prior to arrival at the port of entry. Halal certification must be issued by Islamic institutions recognized by the Saudi Arabian Embassy, Consulate or friendly Arab country Embassy or Consulate in the producing country prior to shipment.

SHELF LIFE (EXPIRY PERIOD)

GCC Standard 150/1993 and SASO Standard 702/1993 set the standards for expiry dates for poultry products as well as other foodstuff products.

The above-mentioned standards specify that all frozen poultry shall be maintained at a temperature not exceeding -18 degrees centigrade.

Expiry dates for frozen poultry products in plastic containers is 12 months from slaughtering. The standard also states that the product will not arrive in port more than 4 months from the date of slaughter.

In addition to the shelf life or expiry date limitations, the following information and certification process must be met to export poultry into Saudi Arabia.

- **FROZEN CHICKENS:** All frozen poultry must comply with **SSA 117/1979** which regulates the Halal slaughter of poultry products and salmonella limits for poultry products.
- **HALAL CERTIFICATION:** Any meat or meat products being exported in Saudi Arabia, must comply with Saudi Arabian Standard No. **SSA 630/1990** (Animal Slaughtering Requirements According To Islamic Law) which is satisfied by obtaining a Certificate Of Islamic Slaughter.

When certification is required for Halal, Health Certificates, Commercial Invoice, and Certificate of Origin, the processor can obtain the appropriate certification through the Saudi Arabian Embassy or Consulate in the country of manufacture. In the event a Saudi Arabian Embassy or Consulate is not available, the embassies or consulates of a friendly Arab country can attest to the authenticity of these documents.

- Commercial Invoice
- Health Certificate from the Country of Origin (Manufacture)
- Halal Slaughter Certificate for all meat and meat products
- Certificate of Origin
- Bill of Lading
- Packing List

CONSTRAINTS TO TRADE

The Saudi Arabian government places a 20% or \$0.27 per kilo tariff on imported poultry to help Saudi Arabian poultry producers equalize their position in the market place. However, even with the 20% tariff in place, countries like Brazil and France are still very competitive in the market.

Importers in Saudi Arabia alluded to the fact that the French government offers subsidies to the French poultry industry to promote exports of poultry. It is not known what effect the removal of these subsidies will have on the Gulf poultry markets in the near future.

It is important to remember the time limitations placed on frozen poultry entering Saudi Arabia. All poultry products arriving at the port facility in Saudi Arabia must arrive within 4 months of slaughter. Do not forget to include shipping time in the equation when determining time limitation as some sea containers can take as long as 30 days to arrive in Saudi Arabia.

OPPORTUNITIES

Opportunities for exportation of frozen, whole chickens into Saudi Arabia are not as wide open as the \$300,000,000 import figures indicate. Due to the extreme pressure placed on the Saudi Arabian poultry market by the Brazilian, French and other producing countries, market access is extremely competitive.

Egyptian poultry processors can compete in the **value-added poultry market**, however, due to excellent quality products like breaded and formed poultry products. Unfortunately, "chicken nugget"-type products are not sufficient; innovative new products using chicken meat must be developed to gain market share in Saudi Arabia and other Gulf states.

Heat-and-eat poultry-based convenience meals also have great market potential in Saudi Arabia given the country's younger, more mobile, and time-conscious population. As previously stated, Saudi Arabia's population is primarily comprised of younger citizens, who are in their mid teens (55% under 16 years old), a generation that has begun to adopt a more Western foods into their diets. Younger families with higher disposable incomes are the prime targets for new convenience foods.

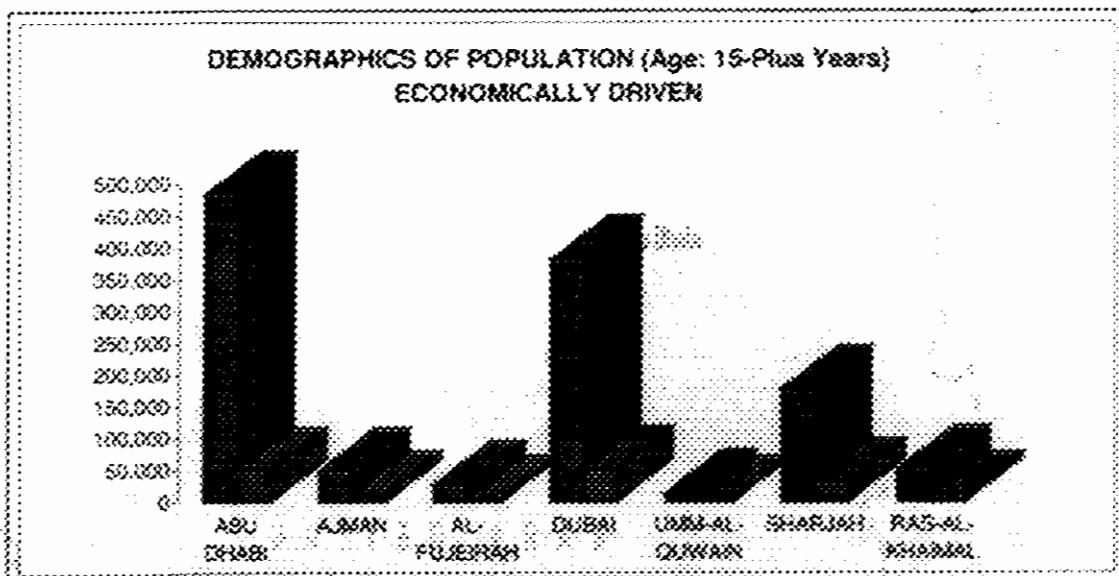
Private labeling for supermarkets and wholesalers is another potential point of entry for poultry processors. By using private labeling options to produce specific products for large importers, a producer can reduce cost by having market entry fees, promotion fees, advertising and importation problems handled are by the importing company.

V. UNITED ARAB EMIRATES (DUBAI) - COUNTRY PROFILE

The United Arab Emirates is a federation of states comprised of 7 former Trucial States formed in 1972. The United Arab Emirates (UAE) consists of the states of Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Qaiwain.

Abu Dhabi is the largest of the 7 states and is the major center for oil production. Dubai is the major commercial center and has one of the largest concentrations of food distributors in the Middle East.

The UAE has a population of approximately 2,344,402 inhabitants with 1,576,589 expatriate workers included in that number. The largest sector of the population falls between the ages of 15 and 64 years old, at least 64% of which are males. The population of the UAE is growing at a rate of 1.78% (1999). Approximately 1 million nationals and expatriates (1/3 of the population) are responsible for most of the value-added purchases in the UAE.



SOURCE: DUBAI CHAMBER OF COMMERCE - 1998

The UAE retail market is estimated at about US\$2.5 billion per year. Nearly 85% of all foodstuffs sold through retail outlets are imported, consumer-ready products. Approximately 50% of all retail sales occur in hypermarkets, with the remaining sales taking place in smaller grocery stores and convenience outlets.

A very large portion of the ingredients found in foodstuffs produced in the UAE, are imported, due to the lack of substantial agriculture in the country. The requirements for the growing processed food industry would indicate a substantial market for bulk packed products like frozen vegetables and aseptic packed tomato products or fruit related foods. A large market exists for consumer ready packaged processed foods, both for domestic and re-export uses.

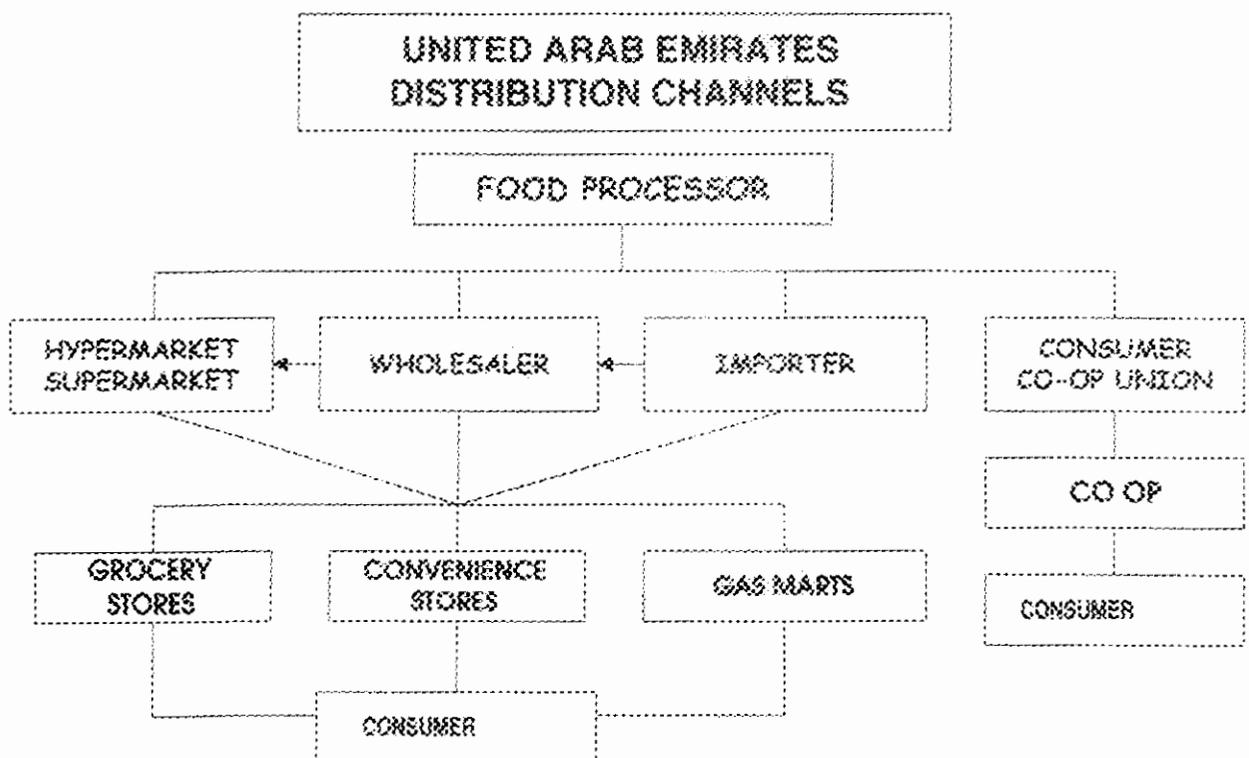
The labor force in the UAE was estimated at 1.3 million in 1997. Of the total population between the age of 15 and 64, 75% are non-nationals (1998). The service sector makes

up about 60% of the total workforce, with 32% in industry and 8% in agriculture. The expatriate workers include mostly Asian and sub-Asian continent workers.

The standard of living in the UAE is one of the highest in the world, with an average per capita yearly income of approximately US\$17,400. With higher incomes, UAE consumers tend to buy higher quality food products -- primarily imported, prepared foods.

DISTRIBUTION CHANNELS

The UAE's retail food sector is developing at a very fast pace -- a ten-fold increase in just 10 years. The changes in the retail food industry are mainly due to the construction of newer Western/EU-style super- and hypermarkets.



- Retail outlets have many different sources, including food processors, direct importers and larger retail stores that buy in bulk to reduce their costs.
- Consumer Cooperative Unions represent Co-Op stores by arranging for "private label" food products. Many times, these consumer unions will order foodstuff in large quantities and then have it labeled/packaged with different store brand names to reduce cost.
- Large importers represent international brand-name foodstuffs, which are distributed through almost every retail channel to the final consumers.

- Institutional food services, hotels, fast food chains, and military support services are supplied through many different channels. Wholesalers and importers are normally the most direct supply channels for these buyers.

SUPERMARKETS & HYPERMARKETS

Many older stores are now under renovations in an attempt to retain customers that are otherwise migrating to the larger hypermarkets to meet their shopping needs.

In one of the major hypermarkets in Dubai, this author counted over 300 customers in the fresh produce section alone at 21:00 hours. The entire market was crowded in every department, especially in the frozen foods section. The widest possible selection of a particular food item is available to the consumer on a 24-hour basis.

The main draw that these hypermarkets offer consumers is the convenience of access to many day-to-day needs such as foodstuffs, clothing, banks, pharmacies, florist, bakery products, shoe repair, automotive parts, luggage, and many other items and services that would require a consumer to shop at several different locations.

Wider selection is one factor that attracts consumers to these hypermarkets. In one hypermarket, 23 brands of ketchup were available, 15 meters of pasta displayed in one aisle, 20 meters of frozen vegetables from 11 different countries in one cold case, and 10 meters of fruit juices are displayed in one aisle. Many of these larger stores carry up to 35,000 line items, as opposed to the regular supermarket with 18,000 line items in their inventory.

The larger hypermarkets and superstores are usually located in major metropolitan centers where there is a larger population base. One of the largest hypermarkets in Dubai is located inside the City Centre Shopping Mall where customers can do all of their shopping in a convenient, completely enclosed atmosphere. These hypermarkets have also become a source of entertainment for families.

Consumers in the UAE have one of the world's highest income levels, which is reflected in their shopping habits in hypermarkets and superstores. The entire spectrum of ages has been influenced by the more modern shopping atmospheres offered by the new trend stores. One new offshoot of this higher disposable income is the new ready-to-eat meals, which are available in the newer stores. Customers can pick up these pre-cooked or ready-to-eat meals in the store or simply call for home delivery.

What sets these larger chain stores apart from the smaller stores is their buying power through larger purchases. Many of these larger chains buy directly from manufacturers and bypass the wholesalers to reduce costs. It is important to note that many of these larger chains will consolidate a shipment to take advantage of freight costs when a full container of one item is not required. Should smaller quantities of a particular item be required, these stores will purchase from local importers or wholesalers to reduce shipping cost.

These larger retail stores also act as importers or wholesalers to smaller retail outlets to take advantage of the bulk price discounts that reduce overall cost. Larger importers normally deliver orders directly to the retailer using their own company's fleet of trucks.

Local importers or agents, especially in Dubai, have very efficient sales departments that actively pursue food distribution outlets in the UAE. One wholesaler visited in Dubai owns a large fleet of refrigerated trucks that is used to make deliveries. One advantage of these distributors is that they can provide quick service, or small orders on short notice, but usually at a premium.

Almost all stores, regardless of size, use exclusive agents to purchase major brand items like colas and internationally recognized products.

Marketing new products to Dubai's large super- or hypermarket chains is very difficult at best. The buyer for a large hypermarket chain store company repeated what had already been heard in Saudi Arabia concerning new product offers: "My first consideration is **PRICE**; if it isn't competitively priced, I won't proceed with an offer".

The second comments concerned the types of products of interest to the buyer:

"I only want to see **INNOVATIVE** products come into my office. I see the same products every day of the week that are produced by several different companies. If a product isn't **INNOVATIVE**, it won't compete for market shelf space in my stores. Store shelf space is expensive, so if a product isn't different, it will just sit on the shelf and lose money for my stores. We are in business to make a profit. Consumers are constantly looking for new products, and we are in business to provide what they want, or they will go to another store to buy it."

Yet another comment related to **packaging**:

"If a product isn't packaged properly, I won't even put it in my stores -- it won't sell. Our customers are very sophisticated and have traveled extensively, which exposed them to products around the world that are attractively presented. When a product is poorly packaged, it won't sell when placed next to a product packaged in a high-tech package with quality graphics and printing."

The worse comment of the entire interview concerned **overall Egyptian packaging**:

Egyptian packaging is about 20 years behind every other product on the market. It is on a par with China. If a product isn't presented well, it won't sell well, and it surely won't be in my stores."

If a new product is to attempt entry into the hypermarket or superstore chains in Dubai and indeed the entire UAE, it must be:

1. Priced competitively;
2. An innovative product; and
3. Properly packaged with modern graphics and materials.

Unless these issues are addressed, Egyptian exporters should not waste a phone call or send brochures.

GROCERY STORES, CONVENIENCE STORES, & CO-OPS (STORES)

Some companies will say that their market focus is not on the larger chain stores, but on the smaller stores or *bekalas*. This might have been an alternative marketing strategy a

few years ago, but with the trend toward larger stores in the UAE, the smaller neighborhood markets will eventually be reduced to a smaller and smaller customer base, except in outlying areas where the small grocery and convenience store still service these smaller consumer groups.

It is predicted that in the future, smaller markets will only be utilized for basic consumer needs -- milk, bread, limited vegetable purchases, cigarettes, and other day-to-day needs. All major shopping requirements will be filled at the larger stores that are more competitive in price.

Sales to small grocery stores are usually very difficult since a single individual or family owns most of these stores, which usually depend upon wholesalers for foodstuff supplies.

In addition to large hypermarkets (5), superstores (85) supermarkets (150), grocery stores (800), and convenience stores or *bakajias* (1,400), the UAE now has other new retail food outlets. There are a growing number of gas marts (30) that are beginning to take market share by providing convenience shopping with gas purchases.

Co-Op Stores

Co-Op Stores (96) are responsible for up to 20% of all retail sales in the UAE. These stores traditionally service a local Arab clientele, who are members of the Co-Op, and other Arab expatriates with medium to low incomes. Co-Ops are represented by a Consumer Cooperative Union that orders private label products from producers for retail sales.

Co-Ops have a limited number of products on their line item list. Many of the line item products are privately labeled by the Co-Ops. Private label production for Co-Op stores offers an excellent avenue for entry into the UAE market by Egyptian food processors, provided they can meet quality standards and provide year round supplies of the required products.

While speaking to one of the largest Co-Op buyers in the UAE, the purchasing agent indicated that the Co-Op systems in the region had been traveling around the world looking for lower priced food products. Apparently, many large buyers/importers in the UAE are beginning to view China (People's Republic of China -- PRC) as a new source of food products.

More than one UAE buyer/importer indicated that Egyptian prices were too high in most cases and the freight costs were prohibitive. Once again, buyers stated that freight costs were cheaper from Italy and the Far East than from Egypt. Freight costs must become more competitive in order for Egyptian products to compete in the global market place.

MARKETING A PRODUCT(S)

The UAE is heavily dependent upon imports to satisfy its domestic market and re-export needs. Most imports are ready for consumption requiring little, if any, further processing. It is important not to overlook the potential for products used in further processing, as new companies are springing up to produce food products in the UAE.

Exporters must be prepared to discuss prices on a C&F basis. The major competition comes from the EU and the Far East due to lower transport and product cost, wider varieties of foodstuffs, more innovative products, higher quality, better packaging, and lower freight costs. China (PRC) is exporting more poultry than in the past, as well as cheaper products such as apple based products, and dehydrated onions for example.

Many foreign governments actively promote their country's food industry. Some countries subsidize their food industries and assist with promotional activities. The United States (US), for example, provides food promotion activities at consumer levels in supermarkets, and also through HRI (hotel, restaurant and institutional) promotion venues. The US government also provides "Catalog and Product Tasting" shows to promote American products to foodstuff buyers in the region. It is extremely important to involve the Egyptian government and trade associations in promoting Egyptian food products. Promotion is costly for each company individually, but much more manageable on an industry wide level.

Some Egyptian food processors are their own worst enemy due to poor quality controls and sub-standard packaging. Poor quality controls allow contaminated foods to be shipped, which lowers the marketability of many companies due to the bad reputation that follows a bad shipment.

Poor quality packaging and labeling is another example of how Egyptian food processors reduce their ability to compete. When a poor quality package is displayed beside high-tech packaging the consumer immediately questions the quality of the product itself before thinking about price.

While questioning a customer (UAE national) in a supermarket in the UAE concerning the rationale for choosing one brand over another of a frozen vegetable package, the buyer simply said "I don't trust something that looks like it is from a third world country." When questioned about the difference in price, the buyer said that his family's health was more important than saving a few *flis*."

It is important to remember that a company should never think that its products have reached a level of superiority and cease trying to improve existing quality or packaging. A company has only to look at its competition and ask: "What are they doing to gain more sales that I'm not doing?"

IMPORT REGULATIONS AND STANDARDS

A health certificate from the appropriate government agency attesting to the product's fitness for human consumption must accompany all imported processed foods. In addition, all poultry products are routinely checked for *salmonella*. Shipments will be rejected if *salmonella* is detected in more than 20% of tested samples. Baby foods and edible oils are also routinely analyzed.

There are no specific requirements for imported food samples. Samples for food shows and other promotional events are routinely exempt from local labeling and shelf life requirements. Product samples must be clearly marked as "samples" and accompanied by a statement claiming that they are not for sale.

The total costs of clearing an import shipment amount to about 4% of the shipment's value - these include a "commercial invoice legalization fees" and other document fees. The "commercial invoice legalization fee" has been levied since 1996 on all products imported into the UAE. These fees can be paid at the UAE Embassy/Consulate in Egypt or in the UAE when the products arrive. A shipment will not be released unless this fee(s) is paid. Generally this fee is the equivalent of about 1% of the shipment's value.

To avoid import rejection in UAE/Dubai, a processor (exporting company) must ensure that the:

1. **Correct shelf life** of the product is applied according to relevant Dubai legislation;
2. **Label complies** with the requirements as per the legislation;
3. **Product does NOT contain non-permitted ingredients or additives;**
4. **Microbiological and chemical standards** are met and adhered to by the manufacturer;
5. **Label information is in Arabic and English;** and
6. **Production and Expiry dates** are mechanically printed, embossed or ink-jetted onto the food container. (NOTE: Dates on stickers are not permitted.)
 - Dates cannot be hand-written
 - Dates cannot be easily removed
 - Day, month, and year of production **MUST** be shown for products with **less than six months' shelf life.**
 - Month and year of production **AND** expiry are required for products with **more than six months' shelf life.**
 - Foods **CANNOT** be double-dated

LABELING (GULF STANDARD No. 9/1995)

Labeling standards are very strict in all GCC countries. The UAE labeling Standard SSUAE No. 9/1995 "Labeling of Prepackaged Foodstuffs", consisting of approximately 10 pages, closely resembles standards set forth in the Gulf Standard No. 9/1995, which was basically prepared by the State of Kuwait.

Labels must show the following information:

| | |
|---|---|
| Production & Expiry dates | Names of all additives (if any) |
| Net contents (weight or volume) | Brand Name |
| Country of Origin | Name and address of manufacturer |
| Ingredients in descending order according to volume | Name of the food product (Product Name) |
| Conditions of storage (if applicable) | Method of preparation for consumption (if applicable) |

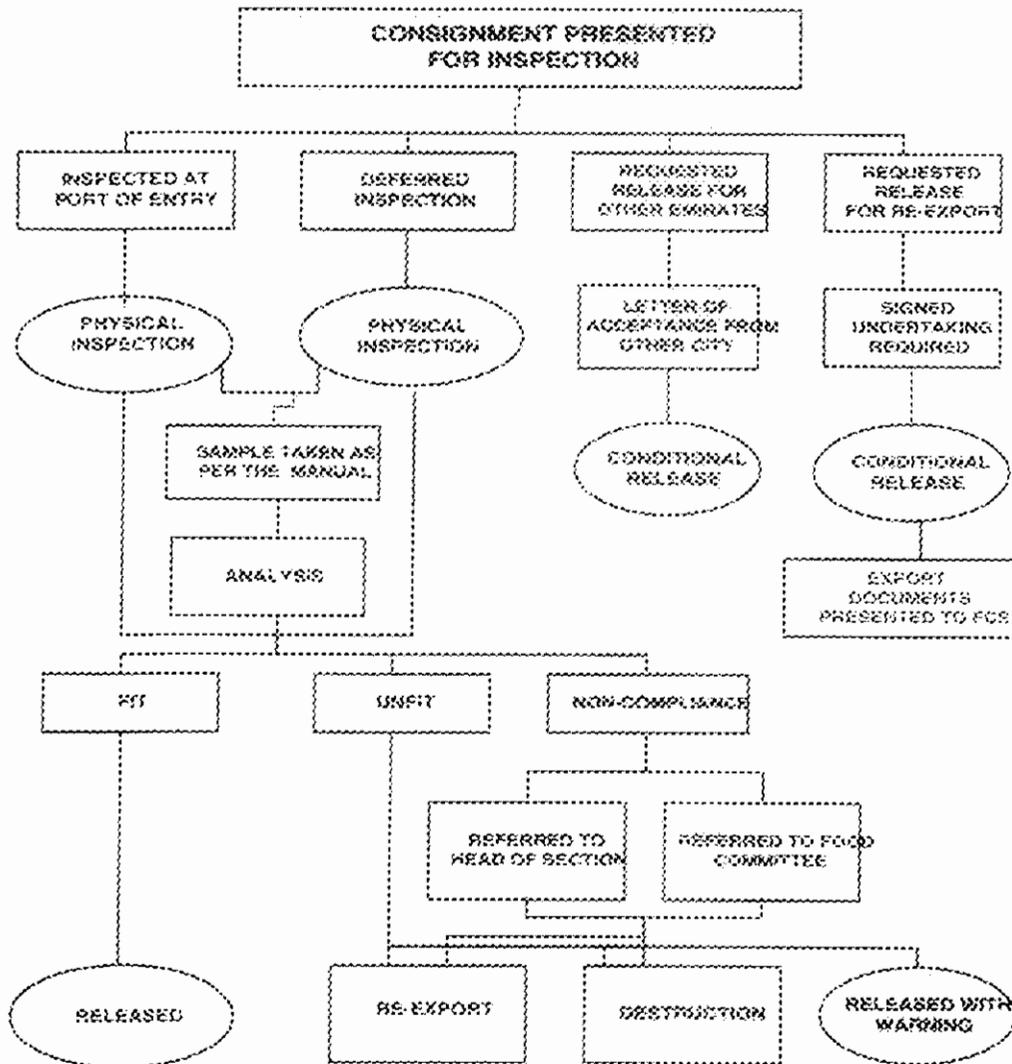
NOTE: For additional information on meeting import and/or Customs requirements in Dubai, please consult:

Requirements for Imported Foodstuffs, 1999, Food Control Section, Public Health Department, Dubai Municipality, Dubai, UAE.

A copy(ies) of the above booklet is available for photocopying only at ARAC/ALEB Library offices. Exporters may also wish to contact the Food Control Section of the Public Health Department of Dubai Municipality directly. (See also, Appendix entitled *Recommended Contacts for Exporting to the Gulf attached to this report.*)

CUSTOMS AND INSPECTION REQUIREMENTS

Dubai ports are the primary entry points for most processed food shipments. Food shipments in the UAE/Dubai are generally off-loaded, cleared through customs and inspected by health officials within hours of arrival.



IMPORTED FOOD PROCEDURES & CONTROLS - DUBAI

in the UAE and Dubai, food products are regularly inspected at the time of import and at the point of sale. Fines are levied and products destroyed for severe violations. Imported and locally produced food products face the same food safety regulations and labeling requirements. Presently, there are no environmental laws that regulate food product packaging.

For Dubai – every consignment of foodstuff arriving at any of the ports is physically inspected. **There is no exception to this requirement.**

Every consignment of baby foods and edible oils is sampled for analysis at the Central Laboratory. New-to-market products are also subject to a complete analysis and, if cleared, are subject to a random sampling process thereafter. The entire analysis process – sampling to results – normally takes five (5) to ten (10) days. While samples are analyzed, the entire shipment will be held and not released until the result of the analysis is known. Shipments are either held at the port of entry or if a Dubai importer makes a special application, the consignment can be released to an importer's warehouse – only if the warehouse is located in Dubai.

SHIPMENTS TO BE RE-EXPORTED

If a consignment of food is imported into Dubai for the purpose of re-exporting to a third country, then there is no requirement for the foodstuffs to comply with labeling, shelf life, or compositional standards of the UAE. The foodstuffs must, however, be fit for human consumption. The consignment will only be released from the port of entry if the consignee provides written verification that the food products will not be sold in the UAE and that they are intended for re-export to a third party country.

Once the foodstuffs are re-exporting, the consignee must produce documented evidence of the re-export to Dubai's Food Control Section.

Costs. In addition to re-export documentation, the consignee must also deposit Dhs. 10,000 for every consignment, which is to be refunded on production of the re-export documents. Alternatively, the consignee can deposit Dhs. 50,000 with Dubai Municipality that will cover all re-export consignments for one (1) year. Provided that all re-export documentation is correct and timely, the deposit will be refunded at the end of the year.

REJECTED SHIPMENTS

Any foods that do not comply with labeling, shelf life, or composition standards, but that are still considered "fit for human consumption" will be rejected for importation into Dubai. These products must then be:

- 1) re-exported to the country of origin – Egypt;
- 2) re-exported to a third country – non-GCC; OR
- 3) destroyed under the supervision of Dubai Municipality's Food Control Section.

In cases of minor infractions, a shipment may be allowed entry on a one-time basis for limited sales – for example, to institutional users ONLY. Major infractions, such as tampering with production and expiry dates are severely punished, particularly those

discovered after import. Such products are automatically banned from import, usually for several months, and the brand name and importer are often reported in the press.

TRANSPORTATION

There are five (5) international and 36 smaller airports serving the UAE. Major seaports include the largest commercial facility located at Port Rashid in Dubai and Mina Jebel Ali, which serves as the hub of the Jebel Ali Free Zone Complex. There are smaller ports located in Abu Dhabi, Ras Al Khaimah, and Port Khalid in Sharjah, and another new port facility, Khor Fakkan, currently under construction in Sharjah. The Port of Fujairah is located in the State of Fujairah.

The Jebel Ali Free Zone provides the advantage of tax-free importation/re-export, as long as the shipment is re-exported within six months. Otherwise, a 4% tax is imposed.

Currently there are approximately 1,500 shipping agents in the UAE. Reports claim that up to as much as 70% of the imported foodstuffs shipped into the UAE are re-exported. These figures are based on government data, which may or may not be under-reported.

Since the fall of the Russian ruble in 1997, trade with the UAE has dropped off dramatically. Traders are now focusing on Africa as "the new market" to compensate for the loss of revenue. One shipping agency reported that at least 25% of their business has been going to Africa, 10% to Russia, 10% to 15% to Gulf Cooperation Council (GCC) countries, and 50% to the United States.

The UAE is becoming a more attractive alternative for re-exporting/shipping to Africa, mainly due to the "sea-air freight system," which is ranked among the top three transport systems in the world. Approximately 5,000 tons are moved to Africa each month using this Sea-Air system. Many shipping agencies feel that Africa will become a huge market within the next five to ten years.

Direct sea shipments can take as long as 1 month to reach ports in Africa, but with the new "air transport" element involved from Dubai it normally takes just an additional two days to deliver freight (over and above the 15 to 20 day shipping time). Shipping agencies have discovered that the Sea-Air system is cheaper in the long run and more reliable due to the problems with inland security issues associated with traditional shipments. Most of the Sea-Air shipments are sent through Sharjah's airport because the cost is lower than through the Dubai airport.

The UAE is also serviced by truck from other GCC countries. Since the total agricultural output of the UAE is approximately 3%, almost all food consumed MUST be imported.

The table below reflects quotes from four different Cairo-based freight agents. Notice the fluctuating prices for freight to Dubai, U.A.E. from Egypt. The quotes given are probably negotiable once a regular shipping schedule has been established. These prices are not guaranteed and in some cases, may be reduced given an advance notice of 10 or more days prior to shipment departure. Rates also tend to vary with seasons and availability of containers and trucks. From this listing of freight rates it is clear that obtaining several quotes prior to deciding on a particular carrier or freight agent is more cost-effective when exporting to the Gulf and elsewhere.

FREIGHT ESTIMATES FROM CAIRO TO U.A.E., DUBAI - JULY 2000

| Egypt to... | Container Small - Dry | Container Large - Dry | Container Small- Refrig. | Container Large-Refrig. | Truck Dry | Truck Refrig. |
|--------------------|--------------------------|--------------------------|--------------------------------|----------------------------|-----------|---------------|
| UAE - Dubai (1) | US\$475 | US\$850 | US\$2,300 | US\$3,300 | US\$2,800 | US\$3,400 |
| UAE - Dubai (2) | US\$400 | US\$700 | Not available | US\$2,900 | US\$2,200 | US\$2,700 |
| UAE - Dubai (3) | US\$550 | US\$750 | US\$2,000 | US\$2,550 | US\$2,100 | US\$2,800 |
| UAE - Dubai (4) | US\$1,400 | US\$2,000 | US\$2,200 | US\$3,000 | US\$2,800 | US\$3,000 |

To help lower freight costs, an exporter should develop a strong working relationship with a shipper, give as much as advanced notice of shipments as possible, and consider freight consolidation (sharing a container) when a whole container is not needed. Shipping delivery dates in Dubai following departure from Egypt can range between 15 to 20 days depending on the final destination (4 to 5 days if by truck).

FREIGHT HANDLING SUGGESTIONS

Due to the potential for claims caused by temperature damage to frozen or chilled products in transit, the Egyptian exporter should place a *temperature-recording device* in each shipment to indicate transit condition. These temperature-monitoring devices can protect an exporter or shipper from false temperature related damage claims. To preserve the quality of the shipment, the exporter should also ensure a *completely chilled shipping container or overland truck trailer before loading any shipment from Egypt destined for the Gulf.*

EXPORT OPPORTUNITIES

According to 1999 ATO Dubai estimates, the consumer ready food product industry is expected to increase 5 - 10% annually in the UAE and throughout the GCC countries (not including Saudi Arabia). So based on market basket surveys, interviews with importers conducted by this author, and ATO Dubai's estimates, and a thorough analysis of Dubai/UAE trade data, Egypt's best high value food product opportunities among those listed under *Commodity Reports* below include:

- Juices
- Jams & Jellies
- Herbs & Spices
- Poultry Meat

COMMODITY SUMMARY

POULTRY - MEAT & WHOLE FROZEN CHICKENS - COMBINED

In 1997, Dubai frozen (also includes chilled and fresh) poultry imports declined by US\$8,839,729 according to Dubai External Trade Statistics. Based on FAO data, however, total poultry meat imports for the UAE amounted to US\$138,000,000, a decrease of US\$12,000,000 from 1996 imports.

Also according to FAO data, exports of poultry meats from the UAE totaled approximately US\$25,000,000 in 1997, but Dubai External Trade Statistics could not verify this figure.

Data from CAPMAS-Egypt indicated that Egypt imported \$55,000 of "Poultry Meats" in 1998, a decrease of \$280,000 over 1997 imports. Egypt exported an estimated \$1,257,000 in 1998, also a decrease from 1997 exports of \$2,009,000.

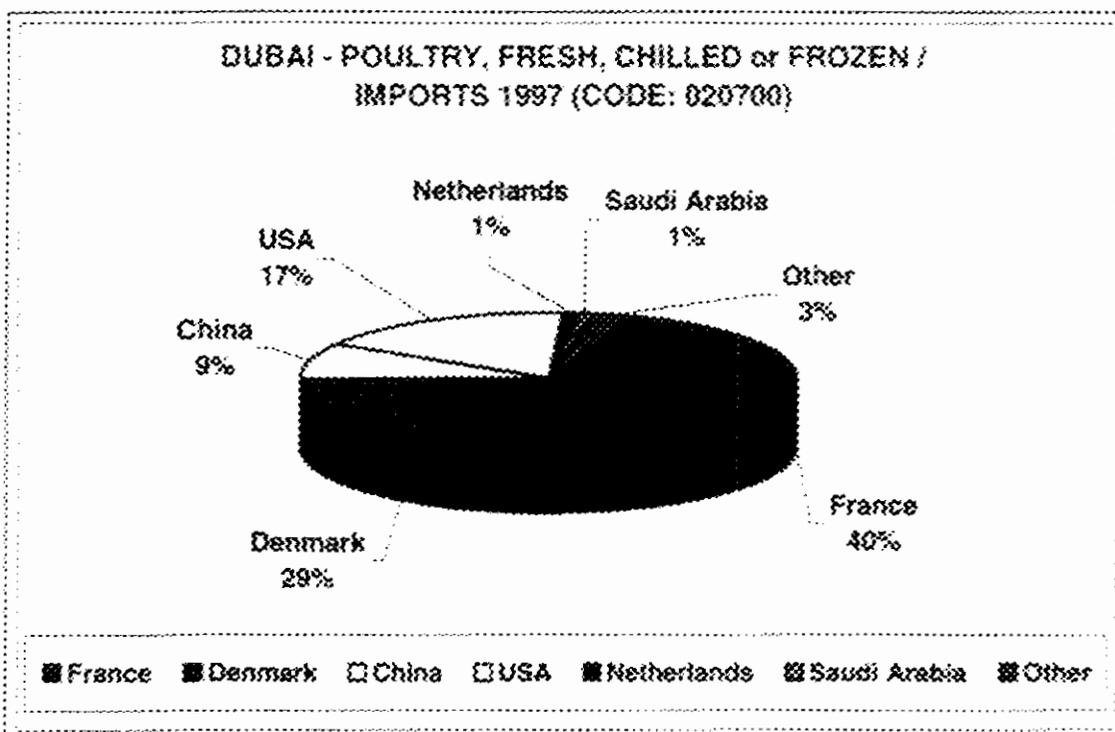
France and Denmark were the two largest exporters to Dubai in 1997, with a total combined export of US\$53,673,121, roughly 69% of the total imports for the year. China surprisingly exported an estimated US\$6,767,090, comprised primarily of boneless -- skinless breast meats and boneless whole chickens.

DUBAI CODE INDEX

(Frozen Poultry Only)

| OPPORTUNITY COMMODITIES | Dubai External Trade Statistics Research & Statistics Office, Department of Ports & Customs EXACT COMMODITY TITLE | Dubai Harmonized Coding System (HS) CODE NUMBER |
|----------------------------|--|--|
| Poultry, Frozen | Meat And Edible Offal Of The Poultry Of Heading No. 01.05, Fresh, Chilled, Or Frozen | 020700 |

DUBAI (U.A.E.) - POULTRY



SOURCE: DUBAI RESEARCH & STATISTICS OFFICE

MARKET ANALYSIS

In 1997, according to Dubai's External Trade Statistics, imports of chicken meats into Dubai alone declined by \$8,839,729 over 1996 imports of \$86,409,514. Egypt contributed just 0.05% of the chicken meat products, which Dubai imported in 1997. However, U.N. Food and Agriculture Organization (FAO) data indicate that the entire United Arab Emirates (UAE) imported an estimated **\$138,000,000** in poultry/chicken meats (111,000 Mt.) in 1998, down from the \$150,000,000 imported in 1997. Interestingly, while the metric tonnage of poultry imports increased from 100,000 Mt. in 1997 to 111,000 Mt. in 1998, the value of these imports decreased.

Exports of poultry meats in 1998 reached approximately \$25,000,000 according to FAO data. While FAO data did not show a change in exports from 1997, it indicated an increase over total imports in 1996, which were valued at \$15,336,000 that year.

According to Egyptian CAPMAS data, Egypt imported \$55,000 of "Poultry Meats" in 1998, a decrease of \$280,000 over 1997 imports. Egypt exported an estimated \$1,257,000 in 1998, also a decrease from 1997 exports of \$2,009,000.

Based on FAO data, in 1998, Egypt imported an estimated \$15,000 of "Chicken Meats," a decrease of \$53,000 from 1997 imports, which reached \$68,000. Egypt exports of chicken meat reached approximately \$1,184,000 in 1998, a decrease of \$763,000 from 1997 export totals. Of those total exports in 1997, Egypt only exported a reported \$40,000 worth of poultry meats to Dubai as per Dubai's External Trade Statistics.

According to U.S. Foreign Agricultural Service (FAS) reports, importation of poultry meats into the UAE reached an estimated 110,000 to 120,000 metric tons in 1998. Up to 75% of all imported poultry meats come in as whole frozen chickens, with the remainder as chicken parts -- mainly legs, drumsticks, thighs, breast meats and whole boneless chickens.

| DUBAI - MEAT & EDIBLE OFFAL OF POULTRY, FRESH, CHILLED or FROZEN / IMPORTS 1997 (CODE: 020700) | | | | |
|--|-------------------|--------------------|------------------------|---------------|
| COUNTRY OF EXPORT | WEIGHT (Kg) | VALUE (Dhms) | VALUE (USD) | \$/Kg |
| Argentina | 177,211 | 952,373 | \$268,274.08 | \$1.51 |
| Belgium | 58,741 | 337,336 | \$95,024.23 | \$1.62 |
| Brazil | 376,706 | 2,417,972 | \$681,118.87 | \$1.81 |
| China | 3,431,642 | 24,023,172 | \$6,767,090.70 | \$1.97 |
| Denmark | 14,284,537 | 80,956,068 | \$22,804,526.20 | \$1.60 |
| Egypt | 7,172 | 142,314 | \$40,088.45 | \$5.59 |
| France | 19,764,144 | 109,583,515 | \$30,868,595.77 | \$1.56 |
| Germany | 144,622 | 791,918 | \$223,075.49 | \$1.54 |
| Hungary | 63,353 | 523,746 | \$147,534.06 | \$2.33 |
| India | 136,824 | 728,696 | \$206,266.48 | \$1.50 |
| Italy | 21,830 | 141,670 | \$39,907.04 | \$1.83 |
| Jordan | 13,023 | 199,732 | \$56,262.54 | \$4.32 |
| Netherlands | 645,428 | 3,164,224 | \$891,330.70 | \$1.38 |
| Others | 51,783 | 288,268 | \$75,855.77 | \$1.46 |
| Saudi Arabia | 183,549 | 1,686,730 | \$531,473.24 | \$2.90 |
| Singapore | 48,719 | 604,894 | \$170,392.68 | \$3.50 |
| South Africa | 10,814 | 89,666 | \$25,258.03 | \$2.34 |
| Taiwan | 8,282 | 193,129 | \$54,402.54 | \$6.57 |
| United Kingdom | 121,461 | 755,944 | \$212,941.97 | \$1.75 |
| USA | 9,755,911 | 47,610,950 | \$13,411,366.20 | \$1.37 |
| TOTAL - 1997: | 49,305,752 | 275,372,737 | \$77,569,786.07 | \$1.57 |
| TOTAL - 1998: | 56,632,604 | 306,763,776 | \$86,409,514.36 | \$1.53 |



FROZEN BRAZILIAN CHICKEN PARTS

According to FAS reports, France is the largest exporter of chicken to Dubai. France exported 29,000 Mt. in 1998, with Brazil, the second-largest exporter, sending 27,000 Mt. the same year. Denmark, the third-largest exporter of chicken meat, exported 25,000 Mt. in 1998. Saudi Arabia also exported an estimated 13,000 Mt. to the UAE, this primarily because the Saudi Arabian grown birds cannot compete with imports from Brazil and the European Union (EU), due to higher production costs. Brazil and Brazilian chicken is the most expensive, followed by France and Denmark according to FAS reports.

The UAE receives the bulk of its whole frozen chickens from Brazil, France, Denmark and the United States (US). French and US chicken are considered to be of lower quality than Brazilian chicken by consumers, but preferred by hotels, fast food restaurants, and institutional kitchens because of the lower price. Fast food restaurants and shwarma shops prefer Chinese boneless chicken imports because of the lower unit cost.

Chinese chicken products are usually bulk packed in a 2.5-kilogram plastic bag. One importer in Dubai told of visiting six Chinese poultry plants in China, and only finding 1 out of 6 that marginally met his requirements for food safety. Regardless of the poultry meat's country of export, it must still meet the same standards for Halaal processing and salmonella testing procedures as any other meat/poultry product entering the UAE.

An interview with a chef in Dubai indicated that he liked French whole birds and Chinese boneless chicken breast because of the lower unit cost. One complaint concerned the appearance of the chicken after cooking -- the chicken had a wrinkled skin due to water and fat loss during cooking, making presentation difficult. This chef also complained that French chicken made more of a mess due to spattering during rotisserie cooking operations.

Catering food services utilize an estimated 60% of total imports, with the remainder being consumed by retail customers. Expatriate workers from Asian countries prefer leg quarter cuts, and drumsticks, packaged in 2-pound trays, due to lower cost, while US and EU expatriates prefer breast meats -- both "bone-in" and boneless.

FAS reports that leg quarters packed in 10 and 20 Kg boxes are re-exported to the former Soviet states.

According to FAS, local production reached approximately 24,000 Mt. for 1999. The UAE and Saudi Arabian poultry producers are planning to increase local production in the near future to take market share from imports. These new facilities will be more costly to operate, but there is a growing market for locally produced poultry. Local processors are producing more value-added products to add to their inventories. Items like formed and breaded chicken products along with boneless/skinless breast meats account for approximately 10% of the local production according to FAS reports.

DUBAI MARKET BASKET SURVEY AVERAGES - APRIL 2000

| Products | Size | AVG. Price (U.S\$.) | AVG. Price (U.S\$) Rate: 3.55 | Country of Origin |
|--|-------------------|---------------------|-------------------------------|-------------------|
| Chicken-Frozen, Breaded Matzah | 9-11 pcs./550 gm. | 9.95 | \$2.80 | Brazil |
| Chicken-Frozen, Burgers | 6 pcs./335 gm. | 5.25 | \$1.48 | Brazil |
| Chicken-Frozen, Burgers | 900 gm. | 14.50 | \$4.08 | UAE |
| Chicken-Frozen, Drumsticks | 900 gm. | 18.75 | \$5.28 | Brazil |
| Chicken-Frozen, Franks | 400 gm. | 2.95 | \$0.83 | UAE (Sharjah) |
| Chicken-Frozen, Franks | 400 gm. | 4.15 | \$1.17 | Belgium |
| Chicken-Frozen, Gizzards | 450 gm. | 4.50 | \$1.27 | Brazil |
| Chicken-Frozen, Nuggets | 375 gm. | 8.95 | \$2.52 | Brazil |
| Chicken-Frozen, Balls | 15 pcs./375 gm. | 6.50 | \$1.83 | U.A.E. |
| Chicken-Frozen, Breasts | 2 kg | 11.75 | \$3.31 | France |
| Chicken-Frozen, Breasts (boneless, skinless) | 1 kg | 6.50 | \$1.83 | UAE |
| Chicken-Frozen, Cutlets | 380 gm. | 10.95 | \$3.08 | Belgium |
| Chicken-Frozen, Drumsticks | 900 gm. | 9.95 | \$2.80 | Brazil |
| Chicken-Frozen, Drumsticks | 907 gm. | 8.95 | \$2.52 | Brazil |
| Chicken-Frozen, Filets Breaded | 450 gm. | 9.95 | \$2.80 | Brazil |
| Chicken-Frozen, Lasagna | 650 gm. | 19.50 | \$5.49 | Brazil |
| Chicken-Frozen, Legs Whole | 2 kg | 8.95 | \$2.52 | UAE (Dubai) |
| Chicken-Frozen, Legs Whole | 900 gm. | 11.80 | \$3.32 | Chile |
| Chicken-Frozen, Nuggets | 250 gm. | 6.50 | \$1.83 | Brazil |
| Chicken-Frozen, Nuggets | 270 gm. | 7.72 | \$2.18 | Belgium |
| Chicken-Frozen, Nuggets-Tandoori | 250 gm. | 6.25 | \$1.76 | Brazil |
| Chicken-Frozen, Nuggets-Tandoori | 270 gm. | 6.25 | \$1.76 | Saudi Arabia |
| Chicken-Frozen, Panee (Au Gratin) | 600 gm. | 19.50 | \$5.49 | Brazil |
| Chicken-Frozen, Thighs | 450 gm. | 6.95 | \$1.96 | Brazil |
| Chicken-Frozen, Thighs | 900 gm. | 10.75 | \$3.03 | Brazil |
| Chicken-Frozen, Thighs (boneless) | 450 gm. | 7.50 | \$2.11 | France |
| Chicken-Frozen, Whole | 800 gm. | 4.20 | \$1.18 | France |

| Products | Size | AVG. Price (U.Dh.) | AVG. Price (US\$) Rate: 3.5% | Country of Origin |
|-----------------------|----------|--------------------|------------------------------|-------------------|
| Chicken-Frozen, Whole | 1000 gm. | 4.73 | \$1.72 | Brazil |
| Chicken-Frozen, Whole | 1100 gm. | 5.75 | \$1.82 | France |
| Chicken-Frozen, Whole | 1100 gm. | 7.65 | \$2.15 | Brazil |
| Chicken-Frozen, Whole | 1300 gm. | 7.45 | \$2.04 | Brazil |
| Chicken-Frozen, Whole | 1300 gm. | 6.75 | \$1.93 | France |
| Chicken-Frozen, Whole | 1300 gm. | 8.38 | \$2.36 | Brazil |
| Chicken-Frozen, Whole | 1500 gm. | 9.85 | \$3.01 | Saudi Arabia |
| Chicken-Frozen, Whole | 1500 gm. | 10.10 | \$2.85 | Brazil |
| Chicken-Frozen, Whole | 1500 gm. | 10.80 | \$3.04 | Brazil |
| Chicken-Frozen, Wings | 900 gm. | 8.25 | \$2.32 | Brazil |

SOURCE: ALEB - Dubai, UAE Market Basket Surveys, April 2000.

SHELF LIFE (EXPIRY PERIOD)

GCC Standard 150/1993 sets the standards for expiry dates for poultry products as well as other foodstuff products.

The above-mentioned standards specify that all frozen poultry shall be maintained at a temperature not exceeding -18 degrees centigrade.

Expiry dates for frozen poultry products in plastic containers is 12 months from slaughtering. The standard also states that the product will not arrive in port more than 4 months from the date of slaughter.

In addition to the shelf life or expiry date limitations, the following information and certification process must be met to export poultry into the Dubai/UAE:

5. **FROZEN CHICKENS:** All frozen poultry must comply with GCC Standard 150/1993, which regulates the Halal slaughter of poultry products and salmonella limits for poultry products.
6. **HALAL CERTIFICATION:** Any meat or meat products being exporting into the UAE, must comply with GCC Standard 150/1993 (Animal Slaughtering Requirements According To Islamic Law), which is satisfied by obtaining a Certificate Of Islamic Slaughter.

When certification is required for Halal, the processor can obtain the appropriate certification through a UAE approved Islamic center(s), embassy or consulate. These and other import documents must be notarized by the UAE embassy or consulate:

- Commercial Invoice
- Health Certificate from the Country of Origin (Manufacture)
- Halal Slaughter Certificate for all meat and meat products
- Certificate of Origin
- Bill of Lading
- Packing List

OPPORTUNITIES

Dubai imported an estimated \$77,569,785 in poultry in 1997, while the UAE imported an estimated \$138,000,000 in 1998 according to FAO reports. It is very difficult to compete directly with Brazil, France, Denmark, and the US on frozen chickens, but there are potential export opportunities with value-added poultry products.

Egyptian poultry processors can compete in the value-added market, since a number of Egyptian processors produce excellent quality breaded and formed poultry products. "Chicken nugget" products alone are not enough, because new innovative products using chicken meat as a base can also help gain market share in the UAE and other Gulf States.

Heat-and-Eat microwavable chicken-based meals also have a large sale potential in the UAE since the population is comprised of primarily of younger people that are becoming more mobile and time-conscious. Younger families with higher disposable incomes are the prime targets for these new convenience foods.

Private labeling for supermarkets and wholesalers offers yet another potential point of entry for Egypt's poultry processors. By using private labeling options to produce specific products for large importers, a producer can reduce costs by allowing the importers to handle market entry fees, promotion fees, advertising, and importation problems.